

DOW, LOHNES & ALBERTSON, PLLC
ATTORNEYS AT LAW

GEORGE L. HANBURY, III

DIRECT DIAL 202-776-2482
ghanbury@dlsaw.com

WASHINGTON, D.C.

1200 NEW HAMPSHIRE AVENUE, N.W. - SUITE 800 - WASHINGTON, D.C. 20018-6802
TELEPHONE 202-776-2000 - FACSIMILE 202-776-2222

ONE KAVITA DRIVE - SUITE 1600
ATLANTA, GEORGIA 30346-2108
TELEPHONE 770-901-8800
FACSIMILE 770-901-8874

August 28, 1997

VIA FACSIMILE

Director Sara Kyle
Hearing Officer
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505

Dear Director Kyle:

We respectfully request that the Tennessee Regulatory Authority add us to the service list in two dockets: Access Charge Reform, 97-00889, and Universal Service, 97-00888. Information can be sent to the address listed above.

Please feel free to call me directly with any questions concerning this request.

Sincerely,



Trey Hanbury

GLH/rkk

WALLER LANSDEN DORTCH & DAVIS

A PROFESSIONAL LIMITED LIABILITY COMPANY

NASHVILLE CITY CENTER
511 UNION STREET, SUITE 2100
POST OFFICE BOX 198966
NASHVILLE, TENNESSEE 37219-8966
(615) 244-6380

FACSIMILES
(615) 244-6804
(615) 244-5686

809 SOUTH MAIN STREET
P. O. BOX 1035
COLUMBIA, TN 38402-1035
(615) 388-6031

D. Billye Sanders
(615) 252-2451

July 30, 1997

David Waddell
Executive Secretary
Tennessee Regulatory Authority
450 James Robertson Parkway
Nashville, Tennessee 37243-0505

Re: Universal Service Generic Contested Case, Docket No. 97-00888; and Generic Contested Case for the Purpose of Access Charge Reform, Docket No. 97-00889

Dear Mr. Waddell:

I appeared at the Pre-hearing Conferences in both of the above referenced dockets on behalf of TCG MidSouth, Inc., therefore, I am anticipating that my name and address will be on the service list for notices and documents in these proceedings. In addition to my name, I am requesting that you add the following name to the service list in both of these dockets:

Michael McRae,
Senior Regulatory Counsel
Telecommunications Group, Inc.
2 Lafayette Centre
1133 21st Street, N.W., Suite 400
Washington, D.C. 20036
(202) 739-0032 (phone)
(202) 739-0044 (fax)

Thank you for your attention to this matter.

Sincerely,



D. Billye Sanders

DBS:lmb
cc: Michael McRae

111733.02



DON SUNDQUIST
GOVERNOR

TENNESSEE
STATE DEPARTMENT OF EDUCATION
6TH FLOOR, GATEWAY PLAZA
710 JAMES ROBERTSON PARKWAY
NASHVILLE, TN 37243-0375

JANE WALTERS, Ph.D.
COMMISSIONER

July 9, 1997

Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505

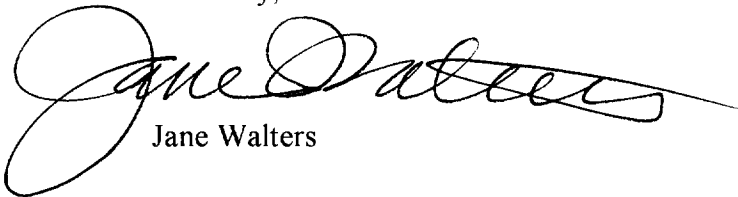
Dear Secretary Waddell:

The State Department of Education has an interest in monitoring the proceeding with possible testimony on the use of the Universal Service Funds for K-12 students in Tennessee schools.

Please direct notices and contact to
Jacqueline B. Shrago or Amy Bearman
c/o Commissioner Jane Walters
6th Floor, Andrew Johnson Building
710 James Robertson Pkwy.
Nashville, TN 37243

Email may be directed to shragoj@ten-nash.ten.k12.tn.us and abearman@mail.state.tn.us

Sincerely,



Jane Walters

Tennessee EdLiNC

Education and Library Networks Coalition

Diocese of Memphis Catholic Schools
Diocese of Nashville Catholic Schools
Tennessee Association of Independent Schools
Tennessee Education Association
Tennessee Educational Technology Association
Tennessee Library Association
Tennessee State Board of Education
Tennessee State Library and Archives

801 Second Avenue North, Nashville, TN 37201 (615) 242-8392, Ext. 320

June 26, 1997

David Waddell, Executive Director
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243

Dear Mr. Waddell:

Representatives from various education and library stakeholder groups in Tennessee have formed a support group, the Tennessee Education and Library Networks Coalition, to advance and monitor the implementation of the Universal Service Provision of the Telecommunications Act of 1996 as approved by the FCC on May 6, 1997.

The FCC ruling created regulations which entitle over 110,000 libraries and schools across the nation to discounts for commercially available telecommunications services and equipment. These discounts will help bring Internet access to students and public library patrons across the nation. As you know, a Universal Service Fund was also created to fund this program.

The first step in making Tennessee schools and public libraries eligible for these discounts is the adoption of an intrastate discount matrix as good as or better than the FCC discount matrix. Tennessee is already a model for discounted telecommunications rates for public schools and libraries, and the coalition is certain that the state will continue to support educational technology.

The FCC cannot mandate state participation in the Universal Service plan, but in order for our schools and libraries to fully access the Universal Service Fund, the first step must be the adoption of the discount matrix. Tennessee EdLiNC is concerned that a statement of intent to adopt or support educational discounts will not have the effect of releasing funds to Tennessee institutions.

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TENN. STATE LIB. & ARCH.

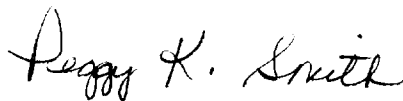
Executive Director Waddell
June 26, 1997
Page 2

Official adoption is necessary, as quickly as possible, to guarantee that eligible Tennessee institutions can be among the first to access the fund. If Tennessee does not act to trigger the mechanism which permits application to the fund, money will be flowing into the fund from Tennessee service providers but will not be returned to Tennessee institutions.

The initial Universal Service Fund will be available January 1, 1998, on a first-come, first-served basis. So that Tennessee public schools and libraries have a chance to be among the first in line for this funding, **Tennessee EdLiNC urges the adoption, as quickly as possible, of discount rates equal to or better than the FCC discount matrix.**

The coalition appreciates the past support of the Tennessee Regulatory Authority for educational institutions and is certain that the Authority will continue it's support with appropriate and timely action in this matter.

Sincerely,

A handwritten signature in cursive script that reads "Peggy K. Smith".

Dr. Peggy K. Smith, Chair

A handwritten signature in cursive script that reads "Emily B. Fuller".

Emily B. Fuller, Co-chair



TENNESSEE EDUCATION ASSOCIATION

801 SECOND AVENUE, N ♦ NASHVILLE, TN 37201-1099

TELEPHONE: (615) 242-8392 ♦ FAX: (615) 259-4581 ♦ TN WATS: (800) 342-8262 (800) 342-8367

June 4, 1997

RECEIVED
EXEC. SECRETARY OFF.

JUN 09 1997

Mr. David Waddell, Executive Director
The Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243

TN REGULATORY AUTHORITY

RE: Education Rates for Telecommunications Services

Dear Executive Director Waddell:

On November 7, 1996, the Federal Communications Commission's Federal-State Joint Board on Universal Service recommended that schools and libraries are to receive discounts for telecommunications services, Internet access, and the connecting of classrooms. Key elements of the Joint Board's recommendation included substantial discounts for the internal wiring or networking necessary for the connection of classrooms, Internet access for schools and libraries, and all commercially available telecommunications services. The Joint Board recommended discounts on a sliding-scale formula.

As The Tennessee Regulatory Authority will need to hold hearings prior to the adoption of discounts on services provided within Tennessee or policies improving access to telecommunications services, we are asking for advance notification of the scheduling of any hearings related to this important education related benefit. We would appreciate being placed on your mailing list for notification of any meetings, hearings or other consideration of this subject. Note that a copy of this letter has gone to Consumer Advocate Vince Williams.

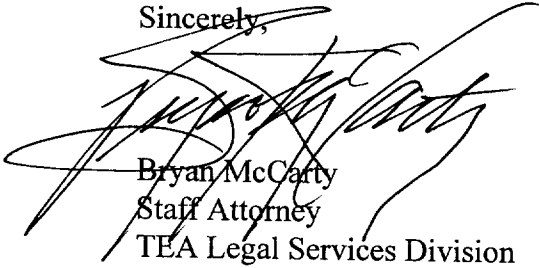
Mr. David Waddell

June 4, 1997

Page Two

Your attention to this matter is appreciated greatly. Any notices should be mailed to Dr. Peggy Smith, Chair, Tennessee EdLiNC, c/o Tennessee Education Association, 801 Second Avenue North, Nashville, Tennessee 37201-1099.

Sincerely,



Bryan McCarty
Staff Attorney
TEA Legal Services Division

BKM:jad

cc: Vince Williams, Consumer Advocate, Office of Attorney General
Dr. Peggy Smith, Chair, Tennessee EdLiNC

SWIDLER & BERLIN

CHARTERED

3000 K STREET, N.W. ■ SUITE 300
WASHINGTON, D.C. 20007-5116
PHONE: (202)424-7500
2ND FLOOR FAX: (202)424-7647
3RD FLOOR FAX: (202)424-7643
4TH FLOOR FAX: (202)424-7645

TELECOPY TRANSMITTAL

DATE 7/17/97 TIME 2:00
TO Marcia Givens
COMPANY Tennessee Regulatory Authority
PHONE # _____
FAX # 615-741-5015
TOTAL PAGES 1 (includes cover sheet) BILLING CODE 4807.01
SENDER Mark T. Paske PHONE # 202-445-6925

MESSAGE:

I would like to request that I be added to the interested parties list in both docket 97-00888 and 97-00889. This is for the purpose of receiving key scheduling and other procedural information. My address is:

Mark T. Paske
Swidler & Berlin
3000 K Street, NW
Suite 300
Washington, DC 20007-5116

My fax is 202-424-7645. Thank you.

IF THERE IS A PROBLEM WITH THIS TRANSMISSION, IT IS IMPORTANT THAT YOU NOTIFY:

NAME: Mark T. Paske PHONE #: 202-445-6925

The information contained in this communication is confidential, may be attorney-client privileged, may constitute inside information, and is intended only for the use of the addressee. Unauthorized use, disclosure, or copying is strictly prohibited and may be unlawful. If you have received this communication in error, please notify us immediately at the number listed directly above. Thank you.

Upchurch, Colvard, York & Ramsey

Attorneys at Law
P.O. Box 3549 • Woodmere Mall
Crossville, TN 38557-3549

Proctor Upchurch
Landon Colvard, Jr.
Randall A. York
Robert R. Ramsey

RECEIVED
JUL 14 1997
10 16 20
TENN. REG. AUTH.
EXHIBIT SECRETARY

Phone: 615-484-5111
Fax: 615-484-0901

July 7, 1997

Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37423-0505

ATTN: K. David Waddell

IN RE: Petition of AT&T Communication of the South Central
States, Inc., etc. - Docket Nos. 97-00888 & 97-00889

Dear Mr. Waddell:

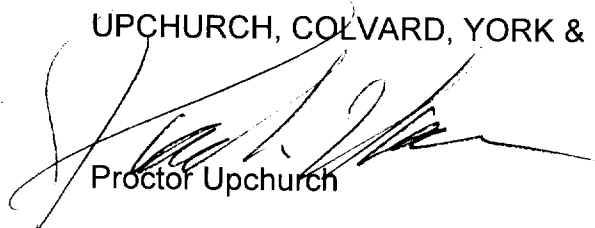
I am enclosing a Notice of Intent to Participate in the above matters on behalf of Bledsoe Telephone Cooperative, Inc.

I would like very much to see the Petitions filed by AT&T so that I can have a better understanding on how to respond to the hearing officer or hearing officer's request regarding proposals for organization of docket, issues to be considered, and relevant federal law, FCC orders and State law.

I will certainly appreciate your cooperation.

Yours very truly,

UPCHURCH, COLVARD, YORK & RAMSEY



Proctor Upchurch

PU/ca

encl.

AUTHORITY
 '87 JUL 14
 EX-107
 97-00888
 SECRETARY

Universal Service Generic Contested Case

Docket No. 97-00888

EX-107 THE SECRETARY
97-00888

EX-107 THE SECRETARY
97-00888

1. Bledsoe Telephone Cooperative, Inc., has received Notice of Contested Case and Hearing Officer Request from TRA dated June 13, 1997.
2. Bledsoe Telephone Cooperative, Inc., is a provider of telecommunications services as defined in the Federal Telecommunications Act of 1996 and that under 254(b)(4) of the Teleco Act will be required to make a contribution to the preservation and advancement of universal service.
3. Bledsoe Telephone Cooperative, Inc., plans to fully participate in the proceedings on such matters as affect the funding of universal service and its distribution.
4. Bledsoe Telephone Cooperative, Inc., requests that it be allowed to submit to the Tennessee Regulatory Authority by separate document or

documents Proposals for Organization of Docket and Issues to be Considered and if germane to the issues involved what the Cooperative anticipates the controlling law will be in this docket relating to telephone cooperatives.

This notice respectfully submitted on this the 14 day of July, 1997.

BLED SOE TELEPHONE
COOPERATIVE, INC.

BY: 

Proctor Upchurch, BPR #1291
Upchurch, Colvard, York & Ramsey
Attorneys at Law
P. O. Box 3549, 68 Woodmere Mall
Crossville, TN 38557
615/484-5111

7 JUL 19
EX-100-100000
BEFORE THE TI
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97-00568
E1

**Petition of AT&T Communications of
the South Central State, Inc. for
the Convening of a Generic Contested
Case for the Purpose of Access Charge
Reform**

NOTICE OF INTENT TO PARTICIPATE

1. Highland Telephone Cooperative, Inc., has received Notice of Contested Case and Hearing Officer Request from TRA dated June 13, 1997, relative to the subject matter.

2. Highland Telephone Cooperative, Inc., is a provider of telecommunications services as defined in the Federal Telecommunications Act of 1996 and has a material interest in both intrastate access charges and universal service funding and distribution.

3. Highland Telephone Cooperative, Inc., plans to fully participate in the proceedings as a rural provider of telecommunications services, on such matters as affect intrastate access charges and the funding of universal service and its distribution.

4. Highland Telephone Cooperative, Inc., requests that it be allowed to submit to the Tennessee Regulatory Authority by separate document or documents Proposals for Organization of Docket and Issues to be Considered and if germane to the issues involved what the Cooperative anticipates the controlling law will be in this docket relating to telephone cooperatives.

This notice respectfully submitted on this the 7th day of July, 1997.

Highland Telephone Cooperative, Inc.

By Fred L. Terry
Fred L. Terry, General Manager
P.O. Box 119
Sunbright, TN 37872
Telephone 423-628-2121
Fax 423-628-2409

1997 JUL 3 PM 3 44

EXECUTIVE SECRETARY

July 1, 1997

VIA CERTIFIED MAIL,
RETURN RECEIPT REQUESTED

Mr. David Waddell, Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243-0505

Re: Docket No.97-00888- Universal Service Generic Contested Case

Dear Mr. Waddell:

As required, DeltaCom, Inc., ("DeltaCom") responds to the Hearing Officer's specific requests as follows:

- A. Participation: DeltaCom plans to monitor the proceeding but does not plan to fully participate.
- B. Proposal for Organization of Docket:
No Comment.
- C. Issues to be Considered:
No Comment.
- D. Relevant Federal Law:
No Comment.

Should you have any questions concerning this filing or require additional information, please contact me at (205) 650-3856.

Please acknowledge receipt of this filing by returning a date-stamped copy in the enclosed postage prepaid envelope provided for your convenience.

Tennessee Regulatory Authority
July 1, 1997
Page 2

Very truly yours,

Nanette S. Edwards

Nanette S. Edwards
Regulatory Affairs Manager

/nse



BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE

In Re:)	
)	Docket No.
Universal Service Generic)	97-00888
Contested Case)	

NOTICE OF INTENT TO PARTICIPATE

Comes North Central Telephone Cooperative, Inc., a non-profit corporation organized and existing under the laws of the state of Tennessee, Tennessee Code Annotated Title 65, Chapter 29, Section 101, et seq., appearing specially, and without waiving any of its statutory exemptions to the jurisdiction of the Tennessee Regulatory Authority does hereby give affirmative notice to the Tennessee Regulatory Authority that:

1. North Central Telephone Cooperative, Inc. has received Notice of Contested Case and Hearing Officer Request from TRA dated June 13, 1997.

2. North Central Telephone Cooperative, Inc. is a provider of telecommunications services as defined in the Federal Telecommunications Act of 1996 and that under 254(b)(4) of the Teleco Act will be required to make a contribution to the preservation and advancement of universal service.

3. North Central Telephone Cooperative, Inc. plans to fully participate in the proceedings on such matters as are germane to contribution to the universal service fund, distribution of the universal service fund, contribution formulas, rules to be established for the distribution of universal service funds. Such other issues that the Cooperative

is of the opinion is relevant to the welfare of its members, either service connected or financial involvement.

4. North Central Telephone Cooperative, Inc. requests that it be allowed to submit to the Tennessee Regulatory Authority by separate document or documents Proposal for Organization of Docket and Issues to be Considered and if germane to the issues involved what the Cooperative anticipates the controlling law will be in this docket relating to telephone cooperatives.

This notice respectfully submitted on this the 7th day of July, 1997.

NORTH CENTRAL TELEPHONE
COOPERATIVE, INC.

By F. Thomas Rowland
F. Thomas Rowland, Manager
P. O. Box 70
Lafayette, Tennessee 37083
Telephone 615/666-2151
Fax 615/666-6772

Re your June 13, 1997 Docket # 97-00888 & 89
we have Received Notice, and plan only
to monitor the proceedings.

Richard S. Smith, President
Standard Communications Co.
302 Sunset Drive, Suite 101
Johnson City, TN 37604

Formerly of Kingsport, TN 37660

RRV Enterprises, Inc.
5120 Woodway Suite 7007
Houston, Texas 77056
Tel: 713-626-1661
Fax: 713-626-1663

RECEIVED
TENN. REG. AUTH.
1997 JUL 2 AM 11 51
EXECUTIVE SECRETARY

June 24, 1997

Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505

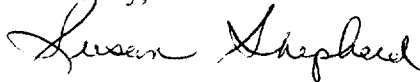
RE: RRV Enterprises, Inc. Docket No. 97-00888

Dear Sir or Madam:

This is to inform you that RRV Enterprises, Inc. has received notice of the *Universal Service Generic Contested Case (1997)* Docket No. 97-00888. At this time we anticipate no involvement in the proceeding.

Should you require any further information or if there is any other action that RRV Enterprises needs to take, please contact me.

Sincerely,



Susan Shepherd

OFFICIAL FILE
PLEASE
DO NOT REMOVE

D.D.D. Calling, Inc.
5120 Woodway Suite 7009
Houston, Texas 77056
Tel: 713-626-7460
Fax: 713-626-3161

RE: D.D.D. CALLING, INC.
5120 WOODWAY SUITE 7009
HOUSTON, TEXAS 77056
JUL 2 1997 11 51 AM
EXECUTIVE SECRETARY

June 24, 1997

Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505

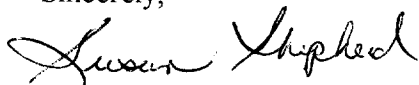
RE: D.D.D. Calling, Inc. Docket No. 97-00888

Dear Sir or Madam:

This is to inform you that D.D.D. Calling, Inc. has received notice of the *Universal Service Generic Contested Case (1997)* Docket No. 97-00888. At this time we anticipate no involvement in the proceeding.

Should you require any further information or if there is any other action that D.D.D. Calling needs to take, please contact me.

Sincerely,


Susan Shepherd

OFFICIAL FILE
PLEASE
DO NOT REMOVE

SWIDLER
&
BERLIN

CHARTERED

July 8, 1997

RECEIVED
JUL 9 6 11 23
VIA OVERNIGHT DELIVERY

David Waddell, SECRETARY
Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37219

Re: Universal Service Generic Contested Case, Docket No. 97-00888;
Petition of AT&T Communications of the South Central States, Inc.
for the Convening of a Contested Case for the Purpose of Access
Charge Reform, Docket No. 97-00889

Dear Mr. Waddell:

On behalf of AVR, L.P. d/b/a Hyperion of Tennessee, L.P. ("Hyperion"), and pursuant to the Notices of Contested Case and Hearing Officer Requests issued on June 13, 1997, we respectfully submit Hyperion's Motions to Intervene in both of the above-referenced dockets.

Please date-stamp the additional copies of Hyperion's Motions enclosed with this transmittal, and return the date-stamped copies in the enclosed self-addressed, postage-paid envelope. Should you have any questions, please do not hesitate to contact the undersigned.

Respectfully submitted,



Michael R. Romano

Counsel for AVR, L.P. d/b/a Hyperion of Tennessee, L.P.

Enclosures

cc: Douglas G. Bonner, Esq.

**BEFORE THE
TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE**

In Re:

Universal Service Generic
Contested Case

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)
)

Docket No. 97-00888

**MOTION TO INTERVENE OF
AVR, L.P. D/B/A HYPERION OF TENNESSEE L.P.**

AVR, L.P. d/b/a Hyperion of Tennessee, L.P. ("Hyperion"), by its undersigned attorneys, hereby moves the Tennessee Regulatory Authority ("Authority") for an order, pursuant to Section 65-2-107 of the Tennessee Code Annotated, to intervene in the above-referenced proceeding. In support of its motion, Hyperion states as follows:

1. Hyperion is a competitive, facilities-based local exchange carrier authorized by the Authority to provide diversified local telecommunications services to residential and business customers in the State of Tennessee. The Authority approved Hyperion's interconnection agreement with BellSouth on July 1, 1997.

2. On June 13, 1997, the Authority issued a Notice of Contested Case and Hearing Officer Request ("Notice") in the above-referenced docket. In this Notice, the Hearing Officer requested that any party having an interest in the proceeding give notice of its intention to participate by July 9, 1997.

3. As a provider of competitive local telecommunications services to residential and business customers, Hyperion is highly interested in the outcome of this proceeding and the financing of the Universal Fund. At this time, Hyperion intends to actively monitor the progress

of this proceeding, and depending upon the positions adopted, may or may not actively participate in the Authority's consideration of Universal Service.

4. Accordingly, Hyperion respectfully requests that the Authority grant it leave to intervene in the above-referenced proceeding and to be treated as a party to this proceeding.

Respectfully submitted,



~~Dana Frix~~
Douglas G. Bonner
SWIDLER & BERLIN, Chartered
3000 K Street, N.W., Ste. 300
Washington, D.C. 20007
(202) 424-7500 (Tel)
(202) 424-7645 (Fax)

Attorneys for AVR, L.P.
d/b/a Hyperion of Tennessee, L.P.

Dated: July 8, 1997

**BEFORE THE
TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE**

In Re:

Universal Service Generic
Contested Case

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)
)

Docket No. 97-00888

**MOTION TO INTERVENE OF
AVR, L.P. D/B/A HYPERION OF TENNESSEE L.P.**

AVR, L.P. d/b/a Hyperion of Tennessee, L.P. ("Hyperion"), by its undersigned attorneys, hereby moves the Tennessee Regulatory Authority ("Authority") for an order, pursuant to Section 65-2-107 of the Tennessee Code Annotated, to intervene in the above-referenced proceeding. In support of its motion, Hyperion states as follows:

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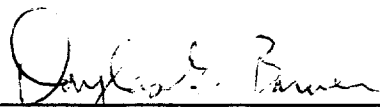
2. On June 13, 1997, the Authority issued a Notice of Contested Case and Hearing Officer Request ("Notice") in the above-referenced docket. In this Notice, the Hearing Officer requested that any party having an interest in the proceeding give notice of its intention to participate by July 9, 1997.

3. As a provider of competitive local telecommunications services to residential and business customers, Hyperion is highly interested in the outcome of this proceeding and the financing of the Universal Fund. At this time, Hyperion intends to actively monitor the progress

of this proceeding, and depending upon the positions adopted, may or may not actively participate in the Authority's consideration of Universal Service.

4. Accordingly, Hyperion respectfully requests that the Authority grant it leave to intervene in the above-referenced proceeding and to be treated as a party to this proceeding.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Douglas G. Bonner", is written over a horizontal line.

Dana Frix
Douglas G. Bonner
SWIDLER & BERLIN, Chartered
3000 K Street, N.W., Ste. 300
Washington, D.C. 20007
(202) 424-7500 (Tel)
(202) 424-7645 (Fax)

Attorneys for AVR, L.P.
d/b/a Hyperion of Tennessee, L.P.

Dated: July 8, 1997

STOKES & BARTHOLOMEW

A PROFESSIONAL ASSOCIATION

SUNTRUST CENTER

424 CHURCH STREET

28TH FLOOR

NASHVILLE, TENNESSEE 37219-2386

TELEPHONE (615) 259-1450

TELECOPIER (615) 259-1470

E-MAIL stokebarth@stokebarth.com

SAMUEL W. BARTHOLOMEW, JR.
OGDEN STOKES
WILLIAM R. BRUCE
LARRY STEWART
D. REED HOUK
ROBERT R. CAMPBELL, JR.
CYNTHIA MITCHELL BARNETT
PAUL S. DAVIDSON
DOUGLAS J. BROWN
D. KIRK SHAFFER
WILLIAM H. WEST
CARTER R. TODD
THOMAS T. PENNINGTON
DAVID T. AXFORD
WILLIAM H. NEELY
REBER M. BOULT

JAMES H. DRESCHER
ELIZABETH ENOCH MOORE
DARLENE T. MARSH
DANIEL P. SMITH
KIM HARVEY LOONEY
GUILFORD F. THORNTON, JR.
MARTIN S. BROWN, JR.
CHARLES W. COOK III
FRED RUSSELL HARWELL
NANCY A. VINCENT
*ANDREW L. SCHWARCZ
ALBERT J. BART

OF COUNSEL
JOHN L. CHAMBERS
LEW CONNER
RUTH M. KINNARD
VADEN LACKEY, JR.

*LICENSED IN LOUISIANA ONLY

EX-101-11-49
JUL 9 11 49 AM '97

July 9, 1997

K. David Waddell, Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505

Re: Universal Service Generic Contested Case (1997)
Docket No. 97-00888

Dear Mr. Waddell:

This law firm has been retained by BellSouth Cellular Corp. ("BSCC") with respect to the above-referenced proceeding. The purpose of this letter is to respond to the Authority's Notice of Contested Case and Hearing Officer Request entered by Director Sara Kyle as Hearing Officer and dated June 13, 1997.

BSCC intends to participate fully in this matter. BSCC is a Georgia corporation which owns and controls a number of entities authorized to do business in the State of Tennessee and licensed by the Federal Communications Commission to provide domestic public cellular radio telephone service. Through its subsidiary and affiliated providers of cellular service in Tennessee, BSCC's legal rights, duties, privileges, immunities and other legal interests may be determined or affected by this proceeding.

We look forward to working with you in this proceeding. Please address to my attention as counsel for BSCC any communication from the Authority in this matter. Should you have any questions or require anything further at this time, please do not hesitate to contact me.

Sincerely,

Guilford F. Thornton, Jr.

Guilford F. Thornton, Jr.

(w/express permission LB)

cc: C. Claiborne Barksdale

BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE

RECEIVED
JUL 10 1997
IN RE: UNIVERSAL SERVICE
GENERIC CONTESTED CASE

)
) DOCKET NO. 97-00888
)
)

EXCUTIVE SECRETARY


NOTICE OF FULL PARTICIPATION AND
MOTION FOR EXTENSION FOR TIME TO SUMMARIZE CONTROLLING LAW

Comes the Consumer Advocate and gives notice of its intent to fully participate in this proceeding.

The Consumer Advocate Division further moves for an extension of time to provide an executive summary of Federal law, FCC orders and state law. For cause the Division would show that one or more recent U.S. Supreme Court decisions may have an effect on how this proceeding should be conducted and the appropriate balance of state and federal law and the issues to be considered.

Wherefore the Consumer Advocate Division prays that the hearing officer grant an extension of time to provide an executive summary of state and federal law and FCC orders and the issues they raise.

Respectfully submitted,



L. Vincent Williams

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Notice of Participation and Motion has been served on the following parties of record by United States mail, postage pre-paid, this 9th day of July, 1997.

Guy M. Hicks, Esq.
333 Commerce Street, Suite 2101
Nashville, TN 37201-3300

H. Ladon Baltimore, Esq.
Farrar & Bates, L.L.P.
211 Seventh Avenue, North
Suite 320
Nashville, TN 37219-1823

John Hastings, Esq.
Boult, Cummings, Conners & Berry
P.O. Box 198062
Nashville, TN 37219

T.G. Pappas, Esq.
Bass, Berry, & Sims
2700 First American Center
313 Deaderick Street
Nashville, TN 37238-2700

Carolyn Tatum Roddy, Esq.
Sprint Communications Co., L.P.
3100 Cumberland Circle - N0802
Atlanta, GA 30339

Val Sanford, Esq.
Gullett, Sanford, Robinson & Martin
230 Fourth Ave., North, 3rd Floor
P.O. Box 198888
Nashville, TN 37219-8888

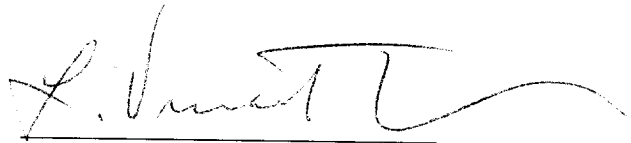
Dana Shaffer, Esq.
105 Molloy Street, Suite 300
Nashville, TN 37201

Richard M. Tettlebaum, Esq.
Citizens Telecom
Suite 500
1400 16th Street, NW
Washington, DC 20036

Henry Walker, Esq.
Boult, Cummings, Conners & Berry
P.O. Box 198062
Nashville, TN 37219

Charles B. Welch, Esq.
Farris, Mathews, Gilman, Branan & Hellen
511 Union Street, Suite 2400
Nashville, TN 37219

James B. Wright, Esq.
United Telephone-Southeast, Inc.
14111 Capital Boulevard
Wake Forest, NC 27587-5900



L. Vincent Williams

LAW OFFICES
FARRAR & BATES, L.L.P.

J. Russell Farrar
William N. Bates
Kristin Ellis Berexa
D. Todd Sholar
Paul D. Caver, Jr.
Teresa Reall Ricks
Deborah R. Sowell

211 Seventh Avenue North
Suite 320
Nashville, Tennessee 37219-1823
Telephone 615-254-3060
Facsimile 615-254-9835
E-Mail: fblaw@msn.com

Of Counsel

H. LaDon Baltimore
E-Mail: ladonbaltimore@msn.com
Joseph S. Reeves III
David L. King

RECEIVED
JUL 9 1997
EXECUTIVE SECRETARY

July 9, 1997

David Waddell, Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505

Re: Universal Service Generic Contested Case
Docket No. 97-00888

Dear Mr. Waddell:

LCI International Telecom Corp. ("LCI") has received notice of the above-referenced docket. This letter is to serve as notice that LCI will participate in the docket. LCI will only monitor the proceedings, but reserves the right to participate more fully as the case develops.

Please send all notices, orders, correspondence, etc. to:

Pam Melton, Esq.
8180 Greensboro Drive, Suite 800
McLean, VA 22102

Sincerely,



H. LaDon Baltimore
LDB/dcg

cc: Pam Melton, Esq.

LAW OFFICES
FARRAR & BATES, L.L.P.

J. Russell Farrar
William N. Bates
Kristin Ellis Berexa
D. Todd Sholar
Paul D. Caver, Jr.
Teresa Reall Ricks
Deborah R. Sowell

211 Seventh Avenue North
Suite 320
Nashville, Tennessee 37219-1823
Telephone 615-254-3060
Facsimile 615-254-9835
E-Mail: fblaw@msn.com

Of Counsel

H. LaDon Baltimore
E-Mail: ladonbaltimore@msn.com
Joseph S. Reeves III
David L. King

July 7, 1997

David Waddell, Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505

Re: Universal Service Generic Contested Case
Docket No. 97-00888

Dear Mr. Waddell:

WorldCom, Inc. has received notice of the above-referenced docket. This letter is to serve as notice that WorldCom will participate in the docket. WorldCom will only monitor the proceedings, but reserves the right to participate more fully as the case develops.

Sincerely,



H. LaDon Baltimore
Attorney for WorldCom, Inc.
LDB\dcg

STATE OF TENNESSEE

FINANCE AND
ADMINISTRATION

JOHN FERGUSON
COMMISSIONER



OFFICE FOR INFORMATION
RESOURCES

BRADLEY S. DUGGER
CHIEF

TELECOMMUNICATIONS
POLICY & PLANNING

JACK R. McFADDEN
DIRECTOR

July 9, 1997

RE: Docket 97-00888

K. David Waddell
Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505

Dear Mr. Waddell,

This letter is to notify the Tennessee Regulatory Authority of the interest of the State of Tennessee Department of Finance and Administration's interest in the TRA's Universal Service Generic Contested Case.

Our Office for Information Resources, Telecommunications Section, is responsible for state government telecommunications services. In that capacity, we currently provide telecommunications and Internet services to the State Department of Education and to many public K12 school systems as well as many public libraries.

Our Department plans to monitor the proceedings, and would like to be kept informed of all schedules and materials relevant to the proceedings.

Please direct notices and contact to:

Jack R. McFadden, Director
Telecommunications Policy & Planning
State of Tennessee
Department of Finance & Administration
Office for Information Resources
598 James Robertson Parkway
Nashville, TN 37243-0560
Phone: 615-741-5080
Fax: 615-741-4996

Thank you.

A handwritten signature in cursive script that reads "Jack R. McFadden".

cc: Bradley Dugger, Office for Information Resources

PhoenixNetwork.

RECEIVED

JUL 03 1997

SARAH KYLE, HEARING OFFICER
TN REGULATORY SERVICE COMM.

July 3, 1997

Tennessee Regulatory Authority
Ms. Sara Kyle, Hearing Officer
460 James Robertson Parkway
Nashville, TN 37243-0505

RE: Universal Service Generic Contested Case, Docket No. 97-00888

Dear Ms. Kyle:

Pursuant to the above referenced docket, Phoenix Network, Inc. is hereby providing a written response to your request of June 13th.

As a certified telecommunications provider operating within the state of Tennessee, Phoenix recognizes it may be called upon to contribute to the Universal Service Fund. Although we have an interest in the final result, Phoenix's knowledge or research on the subject of Universal Service Funding is limited, and therefore, we don't wish to be a participant in this proceeding. We would, however, like to be advised of any Orders in regards to this matter.

If you have questions or comments, you may contact the undersigned at (303)205-3532.

Sincerely,



Denise Newman
Regulatory Compliance Administrator

dn

TRABUE, STURDIVANT & DEWITT

ATTORNEYS AT LAW

2500 NASHVILLE CITY CENTER
511 UNION STREET
NASHVILLE, TENNESSEE 37219-1738
TELECOPIER (615) 256-8197
(615) 244-9270

DAN H. ELROD

RECEIVED
JUL 9 1997
COLUMBIA OFFICE
100 WEST SIXTH STREET
P.O. BOX 1004
COLUMBIA, TENNESSEE 38402-1004
(615) 388-7032

WRITER'S DIRECT EXTENSION No. 526

RECEIVED
JUL 9 1997
EXECUTIVE SECRETARY

July 9, 1997

Via Hand Delivery

Mr. David Waddell
Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Parkway
P. O. Box 198709
Nashville, TN 37219-8709

RE: Universal Service Generic Contested Case
Docket No. 97-00888

Dear Mr. Waddell:

On behalf of GTE Mobilnet, please find enclosed the original and ten (10) copies of its Notice of Intent to Participate in the above proceeding.

Thank you for your attention to this matter.

Very truly yours,



Dan H. Elrod

DHE/dos
Enclosures

BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE

07 JUL 9 11 3 33

IN RE:

UNIVERSAL SERVICE GENERIC
CONTESTED CASE

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Docket No. 97-00888

SECRETARY

NOTICE OF INTENT TO PARTICIPATE

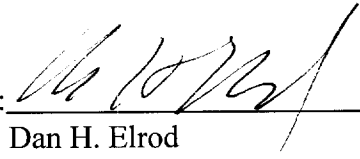
GTE Mobilnet hereby gives notice of its intent to participate in this proceeding to the extent described herein.

GTE Mobilnet, through various affiliates, owns and operates cellular telephone systems throughout Tennessee. GTE Mobilnet, as a provider of cellular telephone service, is not a telecommunications service provider as that term is defined in Tenn. Code Ann. § 65-4-101, and thus is not directly affected by this proceeding. GTE Mobilnet seeks to participate in this proceeding for the purpose of receiving filings and appearing at hearings; however, GTE Mobilnet respectfully requests the opportunity to respond to filings and testimony to the extent that such filings and testimony may directly affect its interests.

In view of the nature of its participation in this proceeding, comment on the remaining points in the Notice of Contested Hearing and Hearing Officer Request appears to be unnecessary.

Respectfully submitted,

GTE MOBILNET

BY:  _____

Dan H. Elrod

Kenneth M. Bryant

TRABUE, STURDIVANT & DeWITT

511 Union Street, 25th Floor

Nashville, TN 37219

(615) 244-9270

Attorneys for GTE Mobilnet



CHAZ TAYLOR INC

Communications Strategists

FAX MEMORANDUM

To: David Waddell
Tennessee Executive Secretary Regulatory Authority

Fr: Sheila Davis
Chaz Taylor Inc.

Date: July 9, 1997

A facsimile transmission: 741-5015

Please include Charlene Taylor (Chaz Taylor Inc.) in the forthcoming receipt of public information and schedule of pertinent hearings on the universal service proceeding. Chaz Taylor Inc. provides corporate communications resources for the majority of Tennessee operating telcos and desires greatly to help its clients prepare subscribers of the eminent change in statewide telephony.

We appreciate the opportunity to be added to the list of those parties interested in aiding initiation regarding universal service.

Most sincerely yours,

Sheila Davis
Media Center Director
Chaz Taylor Inc.

Public Relations

Advertising

Publishing

Marketing

3401 West End Ave
Suite 318
Nashville, TN 37203

6 1 5 2 9 2 0 0 6 3 6 1 5 2 9 8 3 7 2 7

Law Office
JAMES W. DEMPSTER
118 EAST MAIN STREET
P.O. Box 332
McMINNVILLE, TENNESSEE 37111-0332
TELEPHONE: (615) 473-4934
FAX: (615) 473-7190

RECEIVED
JUL 9 1997
EXECUTIVE SECRETARY

June 30, 1997

Mr. David Waddell
Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505

Dear Mr. Waddell:

In Re: Universal Service Generic Contested Case
Docket No. 97-00888; Response of Ben
Lomand Rural Telephone Cooperative, Inc.

Enclosed is the Response of Ben Lomand Rural Telephone
Cooperative, Inc. expressing its desire to participate fully
in the subject proceedings.

Very truly yours,

James W. Dempster
James W. Dempster

JWD:rm1

Enc.

c: Levoy Knowles, Ben Lomand
Rural Tel. Coop., Inc.

BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE

8 67 9 20

SECRETARY

In Re:

Universal Service Generic
Contested Case

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Docket No.
97-00888

NOTICE OF INTENT TO PARTICIPATE

Comes Ben Lomand Rural Telephone Cooperative, Inc., a non-profit corporation organized and existing under the laws of the state of Tennessee, Tennessee Code Annotated Title 65, Chapter 29, Section 101, et seq., appearing specially, and without waiving any of its statutory exemptions to the jurisdiction of the Tennessee Regulatory Authority does hereby give affirmative notice to the Tennessee Regulatory Authority that:

1. Ben Lomand Rural Telephone Cooperative, Inc. has received Notice of Contested Case and Hearing Officer Request from TRA dated June 13, 1997.

2. Ben Lomand Rural Telephone Cooperative, Inc. is a provider of telecommunications services as defined in the Federal Telecommunications Act of 1996 and that under 254(b)(4) of the Teleco Act will be required to make a contribution to the preservation and advancement of universal service.

3. Ben Lomand Rural Telephone Cooperative, Inc. plans to fully participate in the proceedings on such matters as are

germane to contribution to the universal service fund, distribution of the universal service fund, contribution formulas, rules to be established for the distribuion of universal service funds. Such other issues that the Cooperative is of the opinion is relevant to the welfare of its members, either service connected or financial involvement.

4. Ben Lomand Rural Telephone Cooperative, Inc. requests that it be allowed to submit to the Tennessee Regulatory Authority by separate document or documents Proposal for Organization of Docket and Issues to be Considered and if germane to the issues involved what the Cooperative anticipates the controlling law will be in this docket relating to telephone cooperatives.

This notice respectfully submitted on this the 30 day of June, 1997.

BEN LOMAND RURAL TELEPHONE
COOPERATIVE, INC.

By Levoy Knowles
Levoy Knowles, Manager
P.O. Box 670
McMinnville, TN 37111-0670
Telephone 615/668-4131
Fax 615/668-6646

James W. Dempster
James W. Dempster, Attorney
for Ben Lomand Rural Telephone
Cooperative, Inc.
118 East Main Street
P.O. Box 332
McMinnville, TN 37111-0332
Telephone 615/473-4934
Fax 615/473-7190



RECEIVED
JUL 9 1997
EXECUTIVE SECRETARY

July 7, 1997

Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505

Enclosed are the Notices of Intent to Participate from DTC Communications. Please call Wayne Gassaway at 615-529-2151 should you have any questions.

Sincerely,

A handwritten signature in cursive script that reads "Myra Parker". The signature is written in black ink and is positioned above the printed name and title.

Myra Parker
Administrative Clerk

Enclosures

BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE

In Re:)	
)	
)	Docket No.
Universal Service Generic)	97-00888
Contested Case)	

NOTICE OF INTENT TO PARTICIPATE

Comes DeKalb Telephone Cooperative, Inc., a non-profit corporation organized and existing under the laws of the state of Tennessee, Tennessee Code Annotated Title 65, Chapter 29, Section 101, et seq., appearing specially, and without waiving any of its statutory exemptions to the jurisdiction of the Tennessee Regulatory Authority does hereby give affirmative notice to the Tennessee Regulatory Authority that:

1. DeKalb Telephone Cooperative, Inc., has received Notice of Contested Case and Hearing Officer Request from TRA dated June 13, 1997.
2. DeKalb Telephone Cooperative, Inc. is a provider of telecommunications services as defined in the Federal Telecommunications Act of 1996 and that under 254(b)(4) of the Telecom Act will be required to make a contribution to the preservation and advancement of universal service.
3. DeKalb Telephone Cooperative, Inc. plans to fully participate in the proceedings on such matters as are germane to contribution to the universal

Page Two
Docket No. 97-00888
July 7, 1997
DeKalb Telephone Cooperative, Inc.

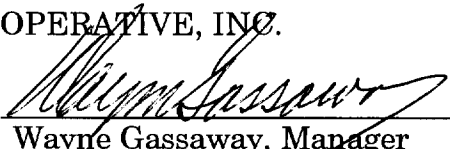
service fund, distribution of the universal service fund, contribution formulas, rules to be established for the distribution of universal service funds. Such other issues that the cooperative is of the opinion is relevant to the welfare of its members, either service connected or financial involvement.

4. DeKalb Telephone Cooperative, Inc. requests that it be allowed to submit to the Tennessee Regulatory Authority by separate document or documents Proposal for Organization of Docket and Issues to be Considered and if germane to the issues involved what the Cooperative anticipates the controlling law will be in this docket relating to telephone cooperatives.

This notice respectfully submitted on this the 7th day of July, 1997.

DEKALB TELEPHONE
COOPERATIVE, INC.

By


Wayne Gassaway, Manager
P.O. Box 247
Alexandria, TN 37012
Phone 615/529-2151
FAX 615/529-2194

YORKVILLE TELEPHONE COOPERATIVE, INC.

"Owned By Those We Serve"

Phone (901) 643-6121

YORKVILLE, TENNESSEE 38389

July 3, 1997

RECEIVED
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'87 JUL 9 AM 9 20
EXECUTIVE SECRETARY

Mr. K. David Waddell
Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville TN 37243-0505

Re: Access Charge Reform Docket 97-00889
Universal Service Generic Contested Case Docket 97-00888

Dear Mr. Waddell:

Enclosed please find our Notice of Intent to participate in hearings of the above referenced dockets.

Sincerely,



W. T. Sims
Manager

WTS:mah

BOULT
CUMMINGS
CONNERS
& BERRY
PLC

LAW OFFICES
414 UNION STREET, SUITE 1600
POST OFFICE BOX 198062
NASHVILLE, TENNESSEE 37219

Jon E. Hastings
(615) 252-2306
Fax: (615) 252-6306
Email: jhasting@bccb.com

RECEIVED
JUL 10 1997
PM 4 35

OFFICIAL FILE
TELEPHONE (615) 244-2582
FAX (615) 252-2380
INTERNET WEB PAGE: www.bccb.com/

July 10, 1997

K. David Waddell
Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505

PLEASE

DO NOT REMOVE

Re: Petition of AT&T Communications of the South Central States, Inc.
For Termination of Docket 95-02499 and Commencement of a New
Generic Contested Case Proceeding
Docket No. 97-00888

Petition of AT&T Communications of the SouthCentral States, Inc. for
the Convening of a Generic Contested Case for the Purpose of Access
Charge Reform
Docket No. 97-00889

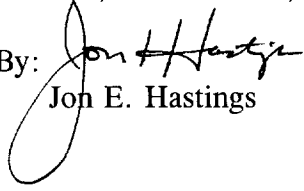
Dear David:

While not explicitly stated in the Response of MCI Telecommunications Corporation To Notice of Contested Case and Hearing Officer Request, this is to confirm that MCI Telecommunications Corporation intends to fully participate in the proceedings.

Copies of this correspondence are being served on those parties listed in our Certificate of Service attached to our Response of MCI Telecommunications Corporation To Notice of Contested Case and Hearing Officer Request.

Very truly yours,

BOULT, CUMMINGS, CONNERS & BERRY, PLC

By: 
Jon E. Hastings

JEH/th

cc: All Parties of Record



Carolina Telephone
Centel-North Carolina
Centel-Virginia
United Telephone-Southeast

James B. Wright
Senior Attorney

July 9, 1997

Mr. David Waddell
Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505

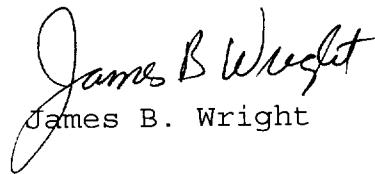
RE: Docket No. 97-00888 (Universal Service)

Dear Mr. Waddell:

Enclosed for filing in the above case are the original and fourteen copies of the Joint Response of United Telephone-Southeast, Inc. and Sprint Communications Company L.P. to the June 13, 1997, Notice of Contested Case and Hearing Officer Request regarding participation, organization of docket, issues and relevant law.

Please contact me or Laura Sykora (919/554-7323) if you have any questions regarding this filing.

Very truly yours,


James B. Wright

Enclosures

CC: Laura Sykora (with enclosure)
Steve Parrott (with enclosure)
Bob Wallace (with enclosure)
Carolyn Roddy (with enclosure)

#11228

Tennessee Regulatory Authority
Notice of Contested Case and Hearing Officer Request
Docket No. 97-00888 - Universal Service

A. PARTICIPATION

The Hearing Officer requests that all individuals or entities who may be called upon to contribute to the Universal Service Fund, or have an interest in the proceeding, please respond to the TRA that they have received notice and note the anticipated level of involvement.

Response:

United Telephone-Southeast, Inc. and Sprint Communications Company L.P. plan to fully participate in this proceeding through the use of company witnesses and counsel and through the timely filing of any comments, testimony, briefs, and other documents requested by the Tennessee Regulatory Authority.

B. PROPOSALS FOR ORGANIZATION OF DOCKET

The Hearing Officer is interested in comments from the parties regarding how the Docket should be organized to provide for a thorough, yet efficient, hearing of the relevant facts and issues necessary to make proper findings of facts and law. The Hearing Officer requests that if parties have suggestions on how Docket 97-00888 on Universal Service and Docket No. 97-00889 on Access Charges should be organized and coordinated, the interested parties submit such suggestions.

Response:

Because of the far-reaching effects of this docket to all Telecommunications Service Providers, the organization of this docket should include a procedural schedule as follows:

- Prehearing Conference set to identify issues for resolution
- Discovery Requests
- Responses to Discovery Requests
- Direct Testimony
- Rebuttal Testimony
- Surrebuttal Testimony
- Hearing
- Briefs filed by Parties
- Universal Service Ruling by TRA
- TRA Order Issued

The Universal Service and Access Reform dockets are interrelated in some respects. Some of the necessary facts needed for a decision will be different, and separate proceedings with separate discovery would be appropriate. However, the final decision in the Universal Service proceeding, including a funding total, will determine the degree to which explicit subsidies previously included as implicit subsidies in access rates will support a Universal Service Fund. From a timing standpoint, the access rate structure can be changed without affecting access revenue levels. However, Universal Service funding and access revenue level changes should be implemented simultaneously.

C. ISSUES TO BE CONSIDERED

The Hearing Office requests that the parties submit a list of issues that they believe are relevant and should be considered in this Docket.

Response:

I. Purpose of Universal Service

- What is the FCC's purpose in Universal Service?
- Does the TRA concur with the FCC's purpose?

II. Definition of Universal Service

- Does the TRA support the FCC's definition of Universal Service?
 - Single Party Service
 - Voice Grade Access to Network
 - DTMF Signaling or Equivalent
 - Access to Emergency Services
 - Access to Operator Services
 - Access to Interexchange Service
 - Access to Directory Assistance
 - Toll Limitation Services for Qualifying Low-Income Consumers
- Which services should be supported by the Universal Service Fund?
 - Local Usage
 - Toll Limitation for Qualifying Low-Income Consumers
 - Second Residential Lines and Single Business Lines
 - Lifeline funding obligation
 - Customers in High-Cost Areas pay only statewide avg. urban rates
- Which services should not be supported by the Universal Service Fund?
 - White Pages Directories and Listings
 - Information Component of Internet Access
 - CPE/Inside Wire
 - Majority of Customer Subscribership should not be sole criteria
- Exceptions due to Network Upgrades?
 - Single Party Service
 - 911/E911 Service
 - Toll Limitations

III. Affordability

- TRA most qualified to determine affordability at statewide or substate (urban/rural, county) level
 - TRA determines rebalancing of local service rates as appropriate
- TRA sets parameters for determining affordability
 - Rate Levels
 - Information on legitimate local variations in rate design
 - Non-Rate Factors
 - Subscribership Levels
 - Range of Local Calling Area
 - Community of Interest; Ability to contact essential service providers

- Per Capita Income of Local or Regional Area
- Cost of Living
- Population Density
- TRA to submit to FCC summary reports of data collected when making affordability determination

IV. Eligibility to Receive Universal Service Funding

- Does TRA agree with FCC requirements for eligibility?
- Criteria for eligibility to receive Universal Service Support
 - Incumbent LECs
 - New Local Exchange Entrants
 - Provide service using own facilities or combination of own facilities and UNEs (to include pure rebundling)
 - Offer all services supported by Universal Service Fund (see Universal Service Definition above)
 - Serve entire service area (service areas identified as contiguous exchanges)
 - Receives Universal Service funding only for loops meeting minimum voice grade standards and provided on a facilities basis
- TRA's role in determining geographic service areas of eligible carriers
- Should TRA determine carriers best able to provide intrastate services to unserved areas?
- TRA determine timeframe for network upgrades for carriers that can't offer all services
- Determine TRA's role in relinquishing carrier status
- Is carrier of last resort obligation a prerequisite to receive support ?

V. Funding Universal Service

- How to identify, quantify and make explicit the implicit intrastate Universal Service support mechanisms (Act requires that subsidies be specific, predictable and sufficient)
- Payment and Collection of Universal Service
 - Who contributes to USF?
 - What is the basis for USF contributions?
 - Administrative procedures for payment and collection?
 - How will carriers collect? Line-item on end-user bill?

VI. Determining Cost of Universal Service

- Determine TN Revenue benchmark
- What cost model does TRA support?
 - Should TRA rely on cost model selected by FCC or file on 8/15/97 to indicate TRA will select its own cost model?
 - Cost of local service calculated using forward looking economic cost model
 - Cost calculated on company specific basis vs. statewide avg. cost
- Should an interim Universal Service Fund be established?
 - Prior to cost of local service being established

VII. Low Income Support

- TRA determines approval of end user intrastate rate reduction of \$1.75 with additional \$1.75 in federal support

VIII. Schools and Libraries

- TRA establishment of intrastate discounts that are no less than the FCC approved matrix of interstate discounts
 - Relationship to existing education/library discounted rates
- TRA is responsible for ruling on complaints from schools, libraries and carriers who believe the lowest corresponding price is unfairly high or low relative to intrastate rates

IX. Health Care

- Does TRA approve of eligibility requirements for support?

X. Administration

- Who administers the fund?
- How are contributions made?

D. RELEVANT FEDERAL LAW, FCC ORDERS AND STATE LAW

The Hearing Officer is requesting that the parties submit Executive Summaries of what they anticipate the controlling law will be in this Docket. The relevant law should contemplate and encompass the Federal law, Federal Communications Commission's Orders, Tennessee law and relevant TRA orders.

Executive Summary - Universal Service

Relevant laws on Universal Service should include:

A) The Telecommunications Act of 1996, including particularly Section 254 dealing with Universal Service;

B) The Federal Communications Commission's May 8, 1997 Report and Order in CC Docket No. 96-45, specifically the following paragraphs:

- 61-83 (definition of Universal Service)
- 101 (state determines service quality standards)
- 108 (state determines affordability)
- 135 (state determines carrier eligibility)
- 129 (state determines service area)
- 248 (state decision to use FCC or proxy model)
- 267 (FCC to determine benchmark rates)
- 351 (states can elect additional low income support)
- 393 (states determine waivers for toll restriction provisioning) and

C) T.C.A. Section 65-5-207 regarding Universal Service, which addresses the TRA's parameters in establishing a universal service support mechanism to replace current sources of universal service support.

Controlling law should be determined by how each specific issue is addressed in TA96, the FCC's Universal Service Order and the Tennessee Telecommunications Act of 1995.



James B. Wright
Senior Attorney

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TENN. REG. AUTH.
'97 JUL 9 PM 4 19

EXECUTIVE SECRETARY
July 9, 1997

Carolina Telephone
Centel-North Carolina
Centel-Virginia
United Telephone-Southeast

Mr. David Waddell
Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505

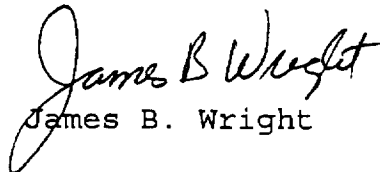
RE: Docket No. 97-00888 (Universal Service)

Dear Mr. Waddell:

Enclosed for filing in the above case are the original and fourteen copies of the Joint Response of United Telephone-Southeast, Inc. and Sprint Communications Company L.P. to the June 13, 1997, Notice of Contested Case and Hearing Officer Request regarding participation, organization of docket, issues and relevant law.

Please contact me or Laura Sykora (919/554-7323) if you have any questions regarding this filing.

Very truly yours,


James B. Wright

Enclosures

CC: Laura Sykora (with enclosure)
Steve Parrott (with enclosure)
Bob Wallace (with enclosure)
Carolyn Roddy (with enclosure)

#11228

Tennessee Regulatory Authority
Notice of Contested Case and Hearing Officer Request
Docket No. 97-00888 - Universal Service

A. PARTICIPATION

The Hearing Officer requests that all individuals or entities who may be called upon to contribute to the Universal Service Fund, or have an interest in the proceeding, please respond to the TRA that they have received notice and note the anticipated level of involvement.

Response:

United Telephone-Southeast, Inc. and Sprint Communications Company L.P. plan to fully participate in this proceeding through the use of company witnesses and counsel and through the timely filing of any comments, testimony, briefs, and other documents requested by the Tennessee Regulatory Authority.

B. PROPOSALS FOR ORGANIZATION OF DOCKET

The Hearing Officer is interested in comments from the parties regarding how the Docket should be organized to provide for a thorough, yet efficient, hearing of the relevant facts and issues necessary to make proper findings of facts and law. The Hearing Officer requests that if parties have suggestions on how Docket 97-00888 on Universal Service and Docket No. 97-00889 on Access Charges should be organized and coordinated, the interested parties submit such suggestions.

Response:

Because of the far-reaching effects of this docket to all Telecommunications Service Providers, the organization of this docket should include a procedural schedule as follows:

- Prehearing Conference set to identify issues for resolution
- Discovery Requests
- Responses to Discovery Requests
- Direct Testimony
- Rebuttal Testimony
- Surrebuttal Testimony
- Hearing
- Briefs filed by Parties
- Universal Service Ruling by TRA
- TRA Order Issued

The Universal Service and Access Reform dockets are interrelated in some respects. Some of the necessary facts needed for a decision will be different, and separate proceedings with separate discovery would be appropriate. However, the final decision in the Universal Service proceeding, including a funding total, will determine the degree to which explicit subsidies previously included as implicit subsidies in access rates will support a Universal Service Fund. From a timing standpoint, the access rate structure can be changed without affecting access revenue levels. However, Universal Service funding and access revenue level changes should be implemented simultaneously.

C. ISSUES TO BE CONSIDERED

The Hearing Office requests that the parties submit a list of issues that they believe are relevant and should be considered in this Docket.

Response:

I. Purpose of Universal Service

- What is the FCC's purpose in Universal Service?
- Does the TRA concur with the FCC's purpose?

II. Definition of Universal Service

- Does the TRA support the FCC's definition of Universal Service?
 - Single Party Service
 - Voice Grade Access to Network
 - DTMF Signaling or Equivalent
 - Access to Emergency Services
 - Access to Operator Services
 - Access to Interexchange Service
 - Access to Directory Assistance
 - Toll Limitation Services for Qualifying Low-Income Consumers
- Which services should be supported by the Universal Service Fund?
 - Local Usage
 - Toll Limitation for Qualifying Low-Income Consumers
 - Second Residential Lines and Single Business Lines
 - Lifeline funding obligation
 - Customers in High-Cost Areas pay only statewide avg. urban rates
- Which services should not be supported by the Universal Service Fund?
 - White Pages Directories and Listings
 - Information Component of Internet Access
 - CPE/Inside Wire
 - Majority of Customer Subscribership should not be sole criteria
- Exceptions due to Network Upgrades?
 - Single Party Service
 - 911/E911 Service
 - Toll Limitations

III. Affordability

- TRA most qualified to determine affordability at statewide or substate (urban/rural, county) level
 - TRA determines rebalancing of local service rates as appropriate
- TRA sets parameters for determining affordability
 - Rate Levels
 - Information on legitimate local variations in rate design
 - Non-Rate Factors
 - Subscribership Levels
 - Range of Local Calling Area
 - Community of Interest; Ability to contact essential service providers

- Per Capita Income of Local or Regional Area
- Cost of Living
- Population Density
- TRA to submit to FCC summary reports of data collected when making affordability determination

IV. Eligibility to Receive Universal Service Funding

- Does TRA agree with FCC requirements for eligibility?
- Criteria for eligibility to receive Universal Service Support
 - Incumbent LECs
 - New Local Exchange Entrants
 - Provide service using own facilities or combination of own facilities and UNEs (to include pure rebundling)
 - Offer all services supported by Universal Service Fund (see Universal Service Definition above)
 - Serve entire service area (service areas identified as contiguous exchanges)
 - Receives Universal Service funding only for loops meeting minimum voice grade standards and provided on a facilities basis
- TRA's role in determining geographic service areas of eligible carriers
- Should TRA determine carriers best able to provide intrastate services to unserved areas?
- TRA determine timeframe for network upgrades for carriers that can't offer all services
- Determine TRA's role in relinquishing carrier status
- Is carrier of last resort obligation a prerequisite to receive support ?

V. Funding Universal Service

- How to identify, quantify and make explicit the implicit intrastate Universal Service support mechanisms (Act requires that subsidies be specific, predictable and sufficient)
- Payment and Collection of Universal Service
 - Who contributes to USF?
 - What is the basis for USF contributions?
 - Administrative procedures for payment and collection?
 - How will carriers collect? Line-item on end-user bill?

VI. Determining Cost of Universal Service

- Determine TN Revenue benchmark
- What cost model does TRA support?
 - Should TRA rely on cost model selected by FCC or file on 8/15/97 to indicate TRA will select its own cost model?
 - Cost of local service calculated using forward looking economic cost model
 - Cost calculated on company specific basis vs. statewide avg. cost
- Should an interim Universal Service Fund be established?
 - Prior to cost of local service being established

VII. Low Income Support

- TRA determines approval of end user intrastate rate reduction of \$1.75 with additional \$1.75 in federal support

VIII. Schools and Libraries

- TRA establishment of intrastate discounts that are no less than the FCC approved matrix of interstate discounts
 - Relationship to existing education/library discounted rates
- TRA is responsible for ruling on complaints from schools, libraries and carriers who believe the lowest corresponding price is unfairly high or low relative to intrastate rates

IX. Health Care

- Does TRA approve of eligibility requirements for support?

X. Administration

- Who administers the fund?
- How are contributions made?

D. RELEVANT FEDERAL LAW, FCC ORDERS AND STATE LAW

The Hearing Officer is requesting that the parties submit Executive Summaries of what they anticipate the controlling law will be in this Docket. The relevant law should contemplate and encompass the Federal law, Federal Communications Commission's Orders, Tennessee law and relevant TRA orders.

Executive Summary - Universal Service

Relevant laws on Universal Service should include:

A) The Telecommunications Act of 1996, including particularly Section 254 dealing with Universal Service;

B) The Federal Communications Commission's May 8, 1997 Report and Order in CC Docket No. 96-45, specifically the following paragraphs:

- 61-83 (definition of Universal Service)
- 101 (state determines service quality standards)
- 108 (state determines affordability)
- 135 (state determines carrier eligibility)
- 129 (state determines service area)
- 248 (state decision to use FCC or proxy model)
- 267 (FCC to determine benchmark rates)
- 351 (states can elect additional low income support)
- 393 (states determine waivers for toll restriction provisioning) and

C) T.C.A. Section 65-5-207 regarding Universal Service, which addresses the TRA's parameters in establishing a universal service support mechanism to replace current sources of universal service support.

Controlling law should be determined by how each specific issue is addressed in TA96, the FCC's Universal Service Order and the Tennessee Telecommunications Act of 1995.

BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE

In Re:

Petition of AT&T Communications of the South
Central States, Inc. For Termination of Docket
95-02499 and Commencement of a New Generic
Contested Case Proceeding

DOCKET NO. 97-00888

Petition of AT&T Communications of the South
Central States, Inc. for the Convening of a
Generic Contested Case for the Purpose of
Access Charge Reform

DOCKET NO. 97-00889

**RESPONSE OF MCI TELECOMMUNICATIONS CORPORATION
TO NOTICE OF CONTESTED CASE AND HEARING OFFICER REQUEST**

On June 13, 1997, the Hearing Officer in these Dockets issued a Notice of Contested Case and Hearing Officer Request requesting the parties to provide comments on several issues identified by the Hearing Officer concerning the organization and coordination of proceedings to examine Access Charge and Universal Service Reform. In the Hearing Officer's Request, the parties were requested to submit proposals concerning the organization of the Dockets, the issues to be considered and a statement of the relevant federal and state law and FCC Orders.

MCI has reviewed the Petitions filed by AT&T for Access Charge and Universal Service Reform and the Response provided by BellSouth and believes that those

documents provide an appropriate overview of the relevant issues to be considered and the federal and state statutory and regulatory law governing this proceeding. These comments, therefore, will address principally MCI's proposal for the organization and schedule for these Dockets.

THE COMPETITION TRILOGY

AT&T's Petitions requesting contested case proceedings to address Access Charge and Universal Service Reform, combined with BellSouth's Petition requesting that the TRA address the permanent pricing of unbundled network elements (a docket not yet opened by the TRA) provides the TRA with the ability to address what the FCC has described as the "Competition Trilogy". As the FCC described this "Competition Trilogy" in its First Report and Order implementing Section 251 of the Federal Telecommunications Act of 1996 ("Federal Act"), the first part of the trilogy is to establish economic cost-based prices for unbundled network elements to implement the provisions of the Federal Act and open up local exchange markets to competition.

The second part of the trilogy is Universal Service reform and the third part of the trilogy is access charge reform. "Only when all parts to the trilogy are complete will the task of adjusting the regulatory framework to fully competitive markets be complete".

MCI believes that the critical linchpin to the completion of the "Competition Trilogy" is the determination of the economic costs to provide the basic network elements utilized to provide basic residential services and switched access services. The determination of economic costs to provide basic residential services is necessary in order to quantify the subsidy,

if any, necessary to maintain the "universal availability of reasonably affordable basic local exchange services". Without this determination of economic costs, no subsidy calculation can be made. Similarly, the TRA must also make a determination as to the economic costs to provide switched access services so that switched access prices can be set at these cost-based levels to effect the removal of "implicit" subsidies which are prohibited by federal law. Finally, in addition to a determination of the economic costs to provide basic residential service and switched access services, the TRA must also ultimately decide upon permanent cost-based pricing for unbundled network elements in order to implement the pro-competitive provisions of the Federal Act.

These three actions -- establishing economic cost-based pricing for unbundled network elements, switched access services and establishing an explicit competitively neutral universal service funding mechanism -- all require the selection of a cost model with appropriate inputs to determine the economic costs. The FCC has determined that the cost model used to establish the economic costs for purposes of determining the Universal Service subsidy should also be utilized to establish the economic costs for unbundled network elements.

SELECTION OF A COST MODEL

The TRA can take one of two paths in selecting a cost model for use in implementing the Tennessee version of the "Competition Trilogy". Under the FCC's recent Order on Universal Service, the FCC stated that a state regulatory agency could either adopt its own cost model, consistent with the criteria specified in its Universal Service Order, or may choose not to adopt its own cost model and await the selection of a cost model thru the FCC's

proceedings in the Further Notice of Proposed Rulemaking (FNPRM) on Cost Model methodology.

If the TRA elects to adopt its own cost model, it must "elect" by August 15, 1997 and should file its cost study with the FCC on or before February 6, 1998. The FCC will approve the state regulatory agency's cost study if it meets the criteria specified in the FCC's Order at Paragraph 250. Among the criteria specified, the state agency's cost model must reflect forward looking economic costs utilizing the least-cost, most efficient technology to provide the network element or functions and must provide for deaveraged costs at the serving wire center level or below, i.e. census block group.

The capability of the cost model selected to produce deaveraged costs is critical both to the determination of the Universal Service subsidy, if any, and to the establishment of cost-based prices for unbundled network elements. For Universal Service subsidy calculations, deaveraged costs at the wire center level or below will determine the geographic locations where a subsidy may be necessary in order to permit the TRA to target funding of any Universal Service support. These same deaveraged cost calculations will permit the TRA to establish cost-based unbundled network elements on a geographically deaveraged basis to encourage a broad based competitive market.

If the TRA decides to adopt its own cost model, the TRA should establish an informal "workshop" process to begin the process of assessing the capabilities of the various cost models and the capabilities of each model to meet the criteria established by the FCC and to support the input of Tennessee-specific data. The Hatfield Model and the BCPM are the models

selected for consideration by the FCC and are being readied for submission to the FCC in the FNPRM on Cost Model methodology. These cost models should be available in August. These workshops should have an end date of no later than February 6, 1998 -- the date on which the TRA must submit the cost model chosen to the FCC.

On a parallel path, the TRA should begin formal proceedings, with discovery, testimony and hearings to determine issues unrelated to the determination of economic costs, such as,

- Which services should be eligible for support?
- What are "affordable" rates for basic residential services?
- Which Carriers should be eligible for Universal Service support?
- Is a Carrier of Last Resort designation necessary and what mechanism should be put in place if a carrier proposes to withdraw service?
- How should universal service support be targeted (i.e., to low income consumers or to geographic areas)?
- How should any Universal Service fund be administered?

MCI believes there is more agreement than may be apparent within the industry of these types of issues and that stipulated resolution of many of these issues can be achieved.

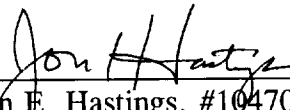
POST-COST MODEL SELECTION ACTIONS

Once the TRA determines the cost model it will use to establish economic costs or defaults to the FCC cost model, the consequences of that action will lead to a logical resolution of the remaining issues surrounding the "Competition Trilogy". The output of the model will establish:

- the appropriate cost-based prices for unbundled network elements on a geographically deaveraged basis, which can be utilized to,
- determine the economic cost of providing basic residential local service on a geographically deaveraged basis, permitting
- identification of the geographic areas where a subsidy is needed to maintain below - cost pricing if required to maintain the universal availability of reasonably affordable basic residential service.
- Once the explicit subsidy is identified, it can be funded externally through a competitively neutral fund and the "implicit" subsidy collected today from switched access services can be removed, requiring that
- switched access services be priced based on the economic cost of providing the service as determined by the cost model selected.

Respectfully submitted,

BOULT, CUMMINGS, CONNERS & BERRY PLC

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CERTIFICATE OF SERVICE

The Notice and Request of Hearing Officer does not specify the persons on whom responses should be served; nor has the identity of the parties to this proceeding been established. Accordingly, MCI is serving, by U.S. Mail, this Response on counsel for those providers who are presumed to have an active interest to participate in the proceeding. If any other person desires a copy, we would be pleased to furnish it.

This 9th day of July, 1997.

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JUN 2 1997
TENN. REG. AUTH.
NASHVILLE, TENN.

**BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE**

In RE:

Universal Service Generic) Docket No.
Contested Case) 97-00888

NOTICE OF INTENT TO PARTICIPATE

Comes West Kentucky Rural Telephone cooperative, corporation, Inc., a non-profit corporation organized and existing under the laws of the state of Tennessee, Tennessee Code Annotated Title 65, Chapter 20, Section 101, et seq., appearing specially and without waiving any of it's statutory exemptions to the jurisdiction of the Tennessee Regulatory Authority does hereby give affirmative notice to the Tennessee Regulatory Authority that:

1. West Kentucky Rural Telephone Cooperative Corp. Inc. has received Notice of contested Case and Hearing Officer Request from TRA dated June 13, 1997.

2. West Kentucky Rural Telephone Cooperative Corp. Inc. is a provider of telecommunications services as defined in the Federal telecommunications Act of 1996 and that under 254(b)(4) of the Teleco Act will be required to make a contribution to the preservation and advancement of universal service.

3. West Kentucky Rural Telephone Cooperative Corp. Inc. plans to fully participate in the proceedings on Kentucky matters as are germane to contribution to the universal service fund, distribution of the universal service fund, contribution formulas, rules to be established for the distribution of universal service funds. such other issues that the Cooperative is of the opinion is relevant to the welfare of it's members, either service connected or financial involvement.

4. West Kentucky Rural Telephone Cooperative Corp. Inc. requests that it be allowed to submit to the Tennessee Regulatory Authority by separate document or documents Proposal for Organization of Docket and Issues to be considered and if germane to the issues involved what the Cooperative anticipates the controlling law will be in this docket relating to telephone cooperatives.

BASS, BERRY & SIMS PLC

A PROFESSIONAL LIMITED LIABILITY COMPANY
ATTORNEYS AT LAW

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July 9, 1997

HAND DELIVERED

Mr. K. David Waddell
Executive Secretary
TENNESSEE REGULATORY AUTHORITY
460 James Robertson Parkway
Nashville, TN 37243-0505

IN RE: Universal Service Generic Contested Case
Docket No. 97-00888

Petition of AT&T Communications of
South Central States, Inc. For The
Convening of A Generic Contested Case
For the Purposes of Access Charge Reform
Docket No. 97-00889

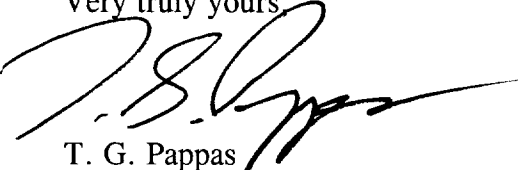
Dear Mr. Waddell:

As attorney for the Coalition of Small LECs and Cooperatives, I am enclosing thirteen (13) copies of their Notice of Participation and responses to certain requests made by the Hearing Officer in the above-styled matter. The requests were dated June 13, 1997, and the response due date was today, July 9, 1997.

If you have any questions do not hesitate to call me.

With kindest regards, I remain

Very truly yours



T. G. Pappas

TGP/br#537153

Enclosures

cc: Each Member of the Coalition of Small LECs
and Cooperatives
Counsel on Service List

BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE

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EXECUTIVE SECRETARY

In Re:

Universal Service Generic
Contested Case

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Docket No. 97-00888

Petition of AT&T Communications of
South Central States, Inc. For The
Convening of A Generic Contested
Case For the Purposes of Access
Charge Reform

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Docket No. 97-00889

RESPONSE OF COALITION OF SMALL LECS AND
COOPERATIVES TO HEARING OFFICER'S REQUEST

RESPONSES TO SPECIFIC REQUESTS

A. PARTICIPATION

The Coalition of Small LECs and Cooperatives desire to participate in these two proceedings and affirmatively give notice to the TRA of their intent to participate. The Coalition of Small LECs and Cooperatives is comprised of the following local exchange telephone companies and cooperatives.

Ardmore Telephone Company

Ben Lomand Telephone Co-Op

The Century Telephone Enterprises, Inc. Companies, consisting of:

- (a) Century Telephone of Adamsville
- (b) Century Telephone of Claiborne
- (c) Century Telephone of Ooltewah-Collegedale, Inc.

DeKalb Telephone Cooperative, Inc.

Loretto Telephone Company

Millington Telephone Company

The TDS TELECOM Companies, consisting of:

- (a) Concord Telephone Exchange, Inc.
- (b) Humphreys County Telephone Company
- (c) Tellico Telephone Company, Inc.
- (d) Tennessee Telephone Company

The Telephone and Electronics Corp (TEC) Companies, consisting of:

- (a) Crockett Telephone Company, Inc.
- (b) Peoples's Telephone Company, Inc.
- (c) West Tennessee Telephone Company, Inc.

United Telephone Company

The above-named participants would state that because of the differences in their size, location, affiliation and operation each of them reserves the right to separate from the Coalition of Small LECs and Cooperatives at any time and to proceed on their own or in conjunction with other Small LECs and Cooperatives that might elect to not be a part of the Coalition. If such separation occurs the separating party or parties will give notice to the TRA and to all parties of such separation.

B. PROPOSALS FOR ORGANIZATION OF DOCKET

The Coalition of Small LECs would respectfully state that because of the overlapping issues and questions in Docket No. 97-00888, on Universal Service, and Docket No. 97-00889, on Access Charges, these two (2) dockets should be consolidated and heard at the same time.

C. ISSUES TO BE CONSIDERED

Coalition of Small LECs and Cooperatives have combined their efforts in presenting the issues that should be considered and they included but are not limited to the following:

- 1) What should be the structure of the state universal service fund?
- 2) Who should administer the fund?
- 3) Who should contribute to the fund, on what basis should contributions be made and to what extent should these contribution be passed on to end users?
- 4) Who should be eligible to receive funding?
- 5) How should funds be distributed?
- 6) What is an affordable rate ?
- 7) Does the TRA anticipate a state revenue benchmark different from the federal one (in both amount and definition?)
- 8) Is there a need for transition period?
- 9) What should be included in the fund? (i.e. Schools, Libraries, Healthcare Facilities, etc. discounts; SPF, WDEM and LTS; Small and Minority Business Funding; Access; EAS including county-wide calling (MAC); remaining 75% of federal fund calculation; business local exchange rates; other)

- 10) The designation of Eligible Telecommunications Carriers (ETCs). Beginning January 1, 1998, NECA can not disburse USF to a company until they receive “a true and correct copy of a state commission designating that carrier as an eligible carrier.” Will the TRA, on its own motion, designate eligible carriers, or will each incumbent LEC need to request this status? Should there be a minimum level of facilities’ ownership required to satisfy this requirement?
- 11) Discussion of Costing Methodologies and to whom they would apply. Since the FCC has opted to defer some of the provisions of its USF order applicable to small rural LECs in order to further review their unique needs and concerns, does the TRA anticipate addressing the small rural LEC USF provisions in a separate proceeding? What cost methodology does the TRA anticipate using for state USF and interconnection pricing? (Must file with the FCC by August 15, 1997).
 - a) Does the TRA anticipate adopting the same cost methodologies for rural and non-rural LECs?
 - b) Does the TRA anticipate that rural LECs will all use the same model, or could there be numerous different models?
- 12) What lines should be eligible to receive “funding?”
- 13) What should the definition of Universal Service include in TN in light of federal actions and the Joint Board recommendations?
- 14) What should be the goal(s) of universal service? (i.e. maintain or increase subscription rates, how are penetration rates defined, promote simple “connectivity” or to increase access to the public network, to ensure that all residential ratepayers pay an affordable rate)
- 15) Since there is a difference between USF support for high cost areas and support for low income customers, i.e., the criteria for these two programs is separate and distinct, how should the costs associated with the administration of the low-income support programs be recovered? How should low income subscribers be identified and supported?
- 16) Should leased facilities count toward making a carrier a “facilities-based” one for USF purposes?
- 17) How should the TRA determine service areas for companies that are eligible for USF support? Will rural LECs have the flexibility to determine support at a level lower than the study area level? (Such as wire center or CBG?)

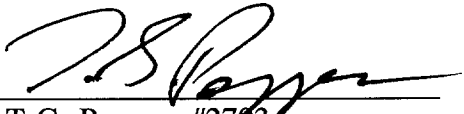
- 18) Should all providers have some minimum level of service standards they are required to maintain?
- 19) What is the TRA's position regarding rural LEC exemptions under the TELECOM Act of 1996?
- 20) Companies have to certify with the state regulator annually that they continue to meet the requirements for designation as a "rural carrier." How and when does the TRA expect this notification to be made?
- 21) What is the TRA's involvement with USF support for schools and libraries and rural Health Care providers? Does the TRA intend to adopt the FCC discount ranges?
- 22) Is the TN requirement for voice grade service consistent with the Federal requirement? Are all LECs in TN capable of providing this level of voice grade service? If not, will the TRA grant an extension of time to upgrade the network to the required level?
- 23) The FCC requires a Petition for additional time be submitted to the state commission demonstrating exceptional circumstances exist that prevent a carrier from providing single party service, toll blocking, and toll control. Would these same requirements apply to voice grade? What constitutes exceptional circumstances?
- 24) Determine the structure of access charges (i.e. will there be more flat rated charges)?

D. RELEVANT FEDERAL LAW, FCC ORDERS AND STATE LAW

At this time the Coalition of Small LECs and Cooperatives is unable to submit "... Executive Summaries of what they anticipate the controlling law will be in this Docket." They agree however "... that the relevant law should contemplate and encompass the Federal law, Federal Communication Commission's ("FCC") Orders, Tennessee law and relevant TRA orders."

Respectfully submitted,

COALITION OF SMALL LECS and
COOPERATIVES

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CERTIFICATE OF SERVICE

The Notice and Request of Hearing Officer does not specify the persons on whom responses should be served; nor has the identity of the parties to this proceeding been established. Accordingly, the Coalition of Small LECs is serving by U.S. Mail, this Response on counsel for those providers who have in the past had an active interest to participate in the proceedings of this nature.

This 9th day of July, 1997.

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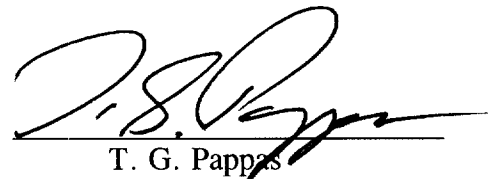
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July 9, 1997

Via Hand-Delivery

Mr. David Waddell
Executive Director
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243-0505

Re: **Universal Service Generic Contested Case**
Docket No. 97-00888

and

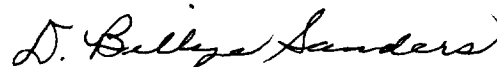
Petition of AT&T Communications of the South Central States, Inc. for
the Convening of a Generic Contested Case for the Purpose of Access
Charge Reform
Docket No. 97-00889

Dear Mr. Waddell:

This letter comes in response to the Notices of Contested Case and Hearing Officer Requests in the above referenced dockets. TCG MidSouth, Inc. ("TCG") intends to participate in both of these dockets. It is TCG's present intent to be involved in a greater role than mere monitoring. At a minimum, TCG plans to offer testimony regarding policy through at least one company witness.

With respect to the other information requested in Director Kyle's Notice, TCG is in the process of formulating its position on issues pertaining to Universal Service and Access Charge Reform in Tennessee. Therefore, TCG respectfully reserves the right to raise and address such issues as this proceeding progresses.

Sincerely,



D. Billye Sanders

DBS:lmb

cc: Michael A. McRae
Paul Kouroupas
Marcus Belli

July 7, 1997

Sent Via Overnight Courier

Mr. David Waddell
Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505

Re: Docket No. 97-00888 and Docket No. 97-00889

Dear Mr. Waddell:

360° Communications Company has received notice of the Tennessee Regulatory Authority Docket 97-00888 on Universal Service and Docket No. 97-00889 on Access Charges and would like to monitor both proceedings.

If you have any additional questions, please contact me at (773) 399-2110.

Very truly yours,



Thomas J. Curran
Director External Affairs

97 JUL 8 PM 3 29

360° Communications

8725 W. Higgins Road
Chicago, IL 60631
773 399-2500 Tel

NEXTLINK will participate fully in these proceedings, and will likely present a policy witness. NEXTLINK will be directly

affected by the universal service funding mechanism and access charge system adopted by the TRA.

B. Docket No. 97-00888 on Universal Service and No. 97-00889 on Access Charges Should Be Consolidated

Dockets 97-00888 and 97-00889 should be consolidated due to the interrelated nature of universal service and access charge reform. Consolidation will allow the parties to address the issues most efficiently by eliminating repetitive arguments, largely duplicative filings and redundant service lists.

Under the Telecommunications Act of 1996 ("Telecom Act"), the Federal Communications Commission ("FCC" or "Commission") has undertaken a trilogy of actions intended to foster competition in the telecommunications industry: (1) opening the local exchange network and exchange access markets to competitive entry through cost-based interconnection and unbundling; (2) reforming interexchange access charges; and (3) reforming the system of universal service consistent with a competitive local exchange market. See In the Matter of Implementation of Local Competition Provisions in the Telecommunications Act of 1996, CC Docket No. 96-98, FCC 96-325 (Aug. 8, 1996) ("Local Competition Order"), ¶¶ 3, 6-8.

While the Commission does not control the local rate-setting process, "[s]tates, acting pursuant to sections 254(f) and 253 of the Communications Act, must in the first instance be responsible for identifying intrastate implicit universal service support" and adopt universal service regulations not inconsistent with the Commission's rules. In Re: Federal-State Joint Board on

Universal Service, CC Docket No. 96-45 (May 8, 1997) at ¶ 14 ("Universal Service Order").

The Commission's Orders further recognize that universal service support and access reform are intertwined:

The Act also recognizes . . . that universal service cannot be maintained without reform of the current subsidy system. The current universal service system is a patchwork quilt of implicit and explicit subsidies. Those subsidies are intended to promote telephone subscribership, yet they do so at the expense of deterring or distorting competition.

Local Competition Order, ¶ 5 (emphasis added); see also Universal Service Order.

C. Issues To Be Considered

The issues to be considered should mirror those addressed in the FCC universal service and access reform orders. See In Re: Federal-State Joint Board on Universal Service, CC Docket No. 96-45 (May 8, 1997); In re: Access Charge Reform, CC Docket No. 96-262 (May 16, 1997).

The Telecom Act requires carriers to contribute to universal service on an equitable and nondiscriminatory basis as determined by the state. A state can make that determination only by pricing all telecommunications services in order to identify any subsidies. That pricing must be done either by using a state-selected method that is consistent with the FCC's criteria or the states may choose to adopt the FCC's cost models. See discussion infra at 5.

Once the prices of those services are determined, the TRA can decide how to rebalance rates and what changes, if any,

should be made in the current access charge structure.

Therefore, the issues to be determined are:

1. What pricing models will be used for the universal service funding mechanism?
2. What are the costs of each telecommunications service and what are the subsidy amounts?
3. How should those subsidies be recovered in the future?

D. Relevant Federal And State Law

1. Universal Service

Under the mandate of the Telecom Act, the FCC has directed the states "to adopt regulations not inconsistent with the Commission's rules to preserve and advance universal service," and to require every telecommunications carrier that provides intrastate telecommunications services to "contribute, on an equitable and nondiscriminatory basis, in a manner determined by the state, to the preservation and advancement of universal service in that state" when such state establishes universal service support mechanisms. 47 U.S.C. § 254(f); see also Universal Service Order at ¶ 7. Universal service is to be accomplished through "specific, predictable and sufficient Federal and State mechanisms." 47 U.S.C. § 254(b)(5) (emphasis added). Section 254(f) authorized the TRA to adopt regulations "not inconsistent" with the FCC's rules with respect to the advancement and preservation of universal service, and T.C.A. § 65-5-207 is in accord with that mandate.

The FCC and the Joint Board relied on section 254 and similar provisions in concluding that universal support payments by carriers must be collected in a competitively neutral manner:

We find that the competitively neutral collection and distribution of funds and determination of eligibility in the universal service support mechanism is consistent with congressional intent 'to provide for a pro-competitive, deregulatory national policy framework.'

In the Matter of Federal-State Joint Board on Universal Service, CC Docket No. 96-45 (Nov. 8, 1996) at ¶ 23; see also Universal Service Order at ¶ 21.

As a basis for calculating federal universal service support, states may elect to use their own cost studies or the forward-looking economic cost mechanisms to be adopted by the FCC. Universal Service Order at ¶ 248. States must indicate by August 15, 1997 which cost methodology they will use. Id. States electing to use their own cost studies must submit them to the Commission by February 6, 1998; the Commission will examine those studies for consistency with the forward-looking criteria set forth in the Universal Service Order at ¶ 250. Id. The Commission will adopt a support mechanism by August, 1998, to take effect on January 1, 1999. Id.

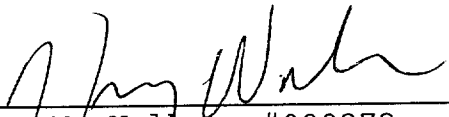
2. Access Reform

The TRA has jurisdiction to reform the access charge system. As is noted above, the FCC has recognized that universal service and access reform are intertwined, and thus the Commission's access charge reform order is relevant to this proceeding. See In re: Access Charge Reform, CC Docket No. 96-262 (May 16, 1997).

III. CONCLUSION

For the foregoing reasons, NEXTLINK Tennessee respectively requests that the TRA consolidate these cases.

DATED this 9th day of July, 1997.


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CERTIFICATE OF SERVICE

The Notice and Request of Hearing Officer does not specify the persons on whom responses should be served; nor has the identity of the parties to this proceeding been established. Accordingly, NEXTLINK is serving, either by hand delivery or U.S. Mail, this Response on counsel for those providers who are presumed to have an active interest to participate in the proceeding. If any other person desires a copy, we would be pleased to furnish it.

This 9th day of July, 1997.

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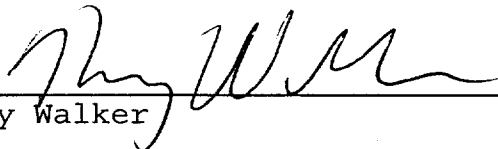
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97 JUL 9 PM 2 50
July 9, 1997

Guy M. Hicks
General Counsel

EXECUTIVE SECRETARY

VIA HAND DELIVERY

David Waddell, Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37238

Re: *Universal Service Generic Contested Case*
Docket No. 97-00888

Dear Mr. Waddell:

Enclosed are the original and thirteen copies of BellSouth Telecommunications, Inc.'s Response to the Hearing Officer's Request in the above-referenced matter. A copy has been provided to all entities served previously with documents filed in this proceeding.

Very truly yours,



Guy M. Hicks

GMH:ch

Enclosure

**BEFORE THE TENNESSEE REGULATORY AUTHORITY
Nashville, Tennessee**

In Re: *Universal Service Generic Contested Case*

Docket No. 97-00888

**BELLSOUTH TELECOMMUNICATIONS, INC.'S
RESPONSE TO THE HEARING OFFICER'S REQUEST**

I. INTRODUCTION

BellSouth Telecommunications, Inc. ("BellSouth") respectfully submits this response to the June 13, 1997 request for information from the Hearing Officer, the Honorable Sara Kyle.

II. RESPONSES TO REQUESTS

A. Participation

BellSouth hereby gives affirmative notice of its intent to participate in this proceeding. BellSouth intends to participate fully as a party in this proceeding, including, but not limited to, filing briefs and presenting testimony.

B. Proposals for Organization of Docket

Because a primary vehicle used today to fund universal service in Tennessee is access charges, the issues in this docket are closely related to the issues in Docket 97-00889, and BellSouth recommends that the two proceedings be consolidated. BellSouth submits that no access charge reductions can be implemented until the existing universal service subsidy in Tennessee has been calculated and some other explicit universal funding mechanism has been created.

The organization of this docket is in some measure dictated by deadlines imposed by the Federal Communications Commission ("FCC") in its May 8, 1997 Report and Order in *In re: Federal-State Joint Board on Universal Service*, CC Docket No. 96-45 (hereinafter referred to as "Universal Service Order"). In that order, the FCC required that each state must elect, by August 15, 1997, whether it will conduct its own forward-looking economic cost study or will use the FCC's yet unspecified forward-looking economic cost methodology for purposes of calculating the universal service subsidy. (Universal Service Order ¶ 248). States that elect to conduct their own cost studies should file such studies with the FCC by February 6, 1998. (*Id.*).

Because the Tennessee Regulatory Authority ("TRA") has an interest in ensuring that universal service is fully supported in Tennessee, BellSouth believes that the TRA should develop its own forward-looking economic cost methodology and should so notify the FCC by August 15, 1997 of its intent to do so. If the TRA agrees, issues concerning the development of the appropriate cost methodology must be resolved within the next six months.¹

¹ Another issue that requires prompt attention is whether Tennessee should approve a reduction in the portion of the intrastate rate paid by end users for Lifeline thereby entitling Lifeline consumers to receive an additional \$1.75 in federal support. Universal Service Order ¶ 351. The new regulations outlining the \$1.75 in federal support in addition to the \$3.50 presently provided for Lifeline will take effect January 1, 1998, and the TRA should approve the necessary reduction before that date in order to give participants the full benefit of available federal support. In addition, the TRA must certify eligible telecommunications carriers in order for such carriers to receive support from the federal universal service fund. 47 U.S.C. § 214(e)(2).

BellSouth submits that the development of the appropriate forward-looking economic cost methodology for universal service support purposes should not in any way delay the TRA's establishment of "permanent prices" for BellSouth, which is presently the subject of Docket 97-01262. Although cost studies will be submitted in both proceedings, the scope of the two proceedings is very different.

For example, in Docket 97-01262, the TRA will be required to establish "permanent prices" for interconnection services and unbundled network elements that competing carriers purchase from BellSouth. Once established, such rates would replace the interim rates set in Docket No. 96-01152, *Interconnection Agreement Negotiations Between AT&T Communications of the South Central States, Inc. and BellSouth Telecommunications, Inc.*. The cost studies that the TRA will consider in Docket 97-01262 are BellSouth-specific; they reflect the cost of interconnecting to and purchasing parts of BellSouth's network. Furthermore, costs for unbundled network elements reflect wholesale costs.

By contrast, universal service cost studies are not company-specific. Since universal service support is "transferable to competing eligible telecommunications carriers," (Universal Service Order ¶ 273), such cost studies must reflect the cost of *any* company providing local service in Tennessee. *Id.* ¶ 232 (cost models being considered were competitively neutral "because they are not based on any individual company's costs"). In addition, costs for universal service purposes are retail costs that include cost components not reflected in wholesale costs.

Furthermore, in Docket 97-01262, there are approximately 250 services and elements offered by BellSouth for which the TRA will need to establish "permanent prices." The cost studies BellSouth has submitted propose rates for each of these various services and elements.

By contrast, in the universal service proceeding, the TRA will be required to calculate the universal service costs associated with only a limited set of services. See Universal Service Order ¶ 56 (defining the "core" or "designated" services that will receive universal service support). Indeed, the forward-looking economic cost models currently being considered by the FCC -- the Benchmark Cost Proxy Model (BCPM) and the Hatfield model -- will only generate costs for those limited set of services; thus as presently designed, these models could not be used to establish costs for all of the approximately 250 services and elements offered by BellSouth, even if the TRA were so inclined.²

² BellSouth is aware that the FCC has encouraged states, "to the extent possible," to use ongoing proceedings for developing permanent unbundled network element prices as a basis for universal service cost studies. (Universal Service Order ¶ 251). The FCC noted that such coordination "would reduce duplication and diminish arbitrage opportunities that might arise from inconsistencies between the methodologies for setting unbundled network element prices and for determining universal service support levels." (*Id.*). However, the FCC did not mandate that, for the purposes of calculating federal universal service support, a state must use the same cost study that was used for setting unbundled network element prices. Indeed, the FCC recognized "the difficulties inherent in using state cost studies designed for pricing unbundled network elements for universal service purposes, but noting that there may be merit in performing comparisons between proxy model results and those of unbundled network element cost studies." (*Id.*) (quoting Letter from Julia L. Johnson, Florida Public Service Commission, to Reed Hundt, dated April 22, 1997).

C. Issues To Be Considered

(1) How should Tennessee create a State fund to provide universal service support in rural, insular, and high cost areas (hereinafter referred to as "State Universal Service Fund").

(2) Whether the State Universal Service Fund will be created consistent with the principles underlying the Federal fund created by the Federal Communications Commission ("FCC") to provide universal service support in rural, insular, and high cost areas.

(3) What telecommunications services will be included within the definition of universal service supported by the State Universal Service Fund.

(4) Whether usage will be included in the definition of universal service supported by the State Universal Service Fund.

(5) Whether business lines will be supported by the State Universal Service Fund and, if so, will the amount of such support be dependent upon whether the line is located in a rural or urban area.

(6) Whether non-primary residential lines will be supported by the State Universal Service Fund and, if so, will the amount of such support be dependent upon whether the line is located in a rural or urban area.

(7) How will the level of universal service support be calculated.

(8) Whether a proxy cost model will be used to calculate the cost of universal service, and, if so, which model should be used.

(9) Who will contribute to the State Universal Service Fund and how will such contributions be calculated.

(10) How will contributions to the State Universal Service Fund be recovered.

(11) How will support received by an eligible telecommunications carrier from the State Universal Service Fund affect the intrastate rates charged by that carrier (i.e., should funding be revenue neutral).

(12) Which carriers will be eligible to receive support from the State Universal Service Fund.

(13) Whether a carrier reselling an incumbent local exchange carrier's telecommunications services or purchasing unbundled network elements from an incumbent will receive support from the State Universal Service Fund.

(14) How will service areas for non-rural carriers be designated.

(15) How will the State Universal Service Fund operate.

(16) Whether an affordability factor will be incorporated into the State Universal Service Fund.

(17) Who will administer the State Universal Service Fund, and what will be the responsibilities of the fund administrator.

(18) What can the TRA do to ensure that Tennessee low-income consumers receive the most benefit from the Lifeline program.

D. Relevant Federal Law, FCC Orders and State Law

1. Creation of a State universal service fund

The 1996 Act reflects Congress's goal of ensuring universal service, which is generally understood as providing widespread access to affordable local exchange telephone service. In order to accomplish this objective, the 1996 Act provides that "[t]here should be specific, predictable and sufficient Federal and State mechanisms to preserve and advance universal service." 47 U.S.C. § 254(b)(5).

In its Universal Service Order, the FCC established a national fund to provide support to "high cost areas" throughout the United States. State commissions may set up state specific funds, not inconsistent with the structure and principles of the national fund, to provide any support necessary to further safeguard universal service in their states. Universal Service Order ¶ 820.³

T.C.A. § 65-5-207(a) provides that universal service "must be maintained after the local telecommunications markets are open to competition." It also requires that all telecommunications service providers "contribute to the support of universal service." T.C.A. § 65-5-207(c) authorizes the TRA to create an "alternative universal support mechanism that replaces current sources of universal

³ The Hearing Officer's Notice of Contested Case and Request directed the parties to submit summaries of "controlling law" in this docket, including FCC orders. In order to be fully responsive to the Hearing Officer's request, BellSouth has summarized certain provisions of the FCC's Universal Service Order. However, BellSouth believes the TRA has considerable discretion in formulating the policies underlying the State's Universal Service Fund, which may differ from the FCC's approach. Furthermore, the FCC's order may be appealed, and BellSouth's discussion of that order should not be construed as suggesting that BellSouth agrees completely with the FCC's decisions on federal universal service issues.

service support only if it determines that the alternative will preserve universal service, protect consumer welfare, be fair to all telecommunications service providers, and prevent unwarranted subsidization of any telecommunications service provider's rates by consumers or by another telecommunications service provider."

2. Ensuring consistency with the Federal universal service fund.

Section 254 of the 1996 Act sets forth the principles adopted by Congress in ensuring universal service. The 1996 Act authorizes a state to "adopt regulations not inconsistent with the [Federal Communication] Commission's rules to preserve and advance universal service." 47 U.S.C. § 254(f). Thus, any state universal service fund established by the TRA must be consistent with the FCC's Universal Service Order.

3. Definition of universal service.

Section 254(c)(1) of the 1996 Act requires the Joint Board to recommend, and the FCC to establish, the services that should be supported by federal universal service support mechanisms. The FCC has defined the "core" or "designated" services that will receive universal service support as: single-party service; voice grade access to the public switched network; touch-tone or its functional equivalent; access to emergency services, including, in some circumstances, access to 911 and E911; access to operator services; access to interexchange service;

access to directory assistance; and toll limitation services for qualifying low-income consumers. Universal Service Order ¶¶ 58-87.

Under Tennessee law, universal service must support "residential basic local exchange service," which is comprised of an access line, dial tone, touch-tone, and usage provided to the premises for the provision of two-way switched voice or data transmission over voice grade facilities of residential customers within a local calling area, Lifeline, Link-Up Tennessee, 911, and educational discounts existing on June 6, 1995. T.C.A. §§ 65-5-207(a) & 65-5-208(a)(1).

4. Usage.

The FCC has indicated that it will identify the amount of local usage that should be supported by the federal universal service fund. Universal Service Order ¶ 67. However, the FCC deferred to the states to determine the local usage component for purposes of state universal service funding. *Id.* ¶ 65.

T.C.A. § 65-5-208(a)(1) includes "usage" in the definition of residential local exchange telephone service which is entitled to universal service support.

5. Business lines.

The FCC has determined that single line business lines should receive limited support that should be calculated based on the difference between the cost of the service and the rate that can be charged. Universal Service Order ¶ 96.

T.C.A. § 65-5-207(a) speaks only in terms of ensuring affordable rates and maintaining carrier-of-last resort obligations with respect to "residential basic local exchange telephone service." Business service is not addressed.

6. Non-primary residential lines.

The FCC has determined at this point that non-primary residential lines, or additional lines (ADLs), need not receive support in high cost areas, although the FCC plans to review these issues in another proceeding later this year. Universal Service Order ¶ 96. The FCC has authorized an increase in the Subscriber Line Charge on ADLs.

T.C.A. § 65-5-208(a)(1) defines basic local exchange telephone service to include "an access line." No distinction is made between primary and additional lines.

7. Calculating the level of universal service support.

Rather than calculating the level of universal service support based on an analysis of recent historical data, the FCC concluded that federal support should be calculated by determining the forward-looking economic cost of providing the supported services reduced by a nationwide revenue benchmark calculated on the basis of average revenue per line. Universal Service Order ¶ 223. Once the difference between forward-looking economic cost and the nationwide revenue benchmark has been calculated, federal support will be 25 percent of that amount.

Id.

In establishing any state universal service support mechanism, the TRA must consider, at a minimum, "[t]he amount by which the embedded cost of providing residential basic local exchange telephone service exceeds the revenue received from the service, including the cost of the carrier-of-last resort obligation, for both high- and low-density service areas." T.C.A. § 65-5-207(c)(8)(i). Thus, the State fund must address the 75% remaining from the FCC's defined fund as well as the difference between the FCC's revenue benchmark and the actual rates charged.

8. Proxy cost models.

The FCC has concluded that a proxy cost model will be used to establish the forward-looking economic cost upon which federal universal service will be based. Universal Service Order ¶ 240. Although a majority of the Joint Board recommended that the FCC select the BCPM as the platform from which to seek further refinement in the proxy cost model, the FCC determined that it would review both the BCPM and Hatfield models and would choose a specific model by the end of 1997. *Id.* ¶ 245.

In calculating federal support, the FCC will use forward-looking economic cost studies conducted by State commissions that choose to submit such cost studies, provided they are consistent with criteria set forth in Paragraph 250 of the FCC's Order. States must elect by August 15, 1997 whether they will conduct their own forward-looking economic cost studies, in which case such studies should be filed with the FCC on or before February 6, 1998. *Id.* ¶ 248.

Although Tennessee law does not address the issue of proxy cost models, it requires that, in establishing any state universal service support mechanism, the TRA must consider, at a minimum, "[t]he amount by which the embedded cost of providing residential basic local exchange telephone service exceeds the revenue received from the service, including the cost of the carrier-of-last resort obligation, for both high- and low-density service areas." T.C.A. § 65-5-207(c)(8)(i).

9. Contributions to universal service fund.

The 1996 Act requires that "[e]very telecommunications carrier that provides intrastate telecommunications services shall contribute, on an equitable and nondiscriminatory basis, in a manner determined by the State to the preservation and advancement of universal service in that State." 47 U.S.C. § 254(f).

The FCC has determined that contributions for federal universal service should be based on interstate revenues derived from end-users for telecommunications and telecommunications services (which does not include payments received from universal service support mechanisms). Universal Service Order ¶¶ 844 & 857. According to the FCC, if carriers provide services eligible for support from universal service support mechanisms at a discount or below cost, such carriers may receive credits against their contributions. *Id.* ¶ 856.

Under T.C.A. § 65-5-207(c)(3), the TRA can only order "such contributions to the universal service support mechanism as are necessary to support universal service and fund administration of the mechanism." T.C.A. § 65-5-207(c)(4)

requires the TRA to administer any "universal service support mechanism in a competitively neutral manner, and in accordance with established authority rules and federal statutes."

10. Recovery of contributions to the fund.

The FCC decided to permit carriers to recover contributions to the federal universal service fund through the carrier's rates for interstate services. The FCC declined to adopt a federally prescribed end-user surcharge. Universal Service Order ¶ 853.

In establishing any universal service support mechanism, T.C.A. § 65-5-207(c)(5) requires that the TRA "[d]etermine the financial effect on each universal service provider caused by the creation or a modification of the universal service support mechanism and rebalance the effect through a one-time adjustment of equal amount to the rates of that provider."

11. Revenue neutrality.

The FCC requires that any carrier receiving federal universal service support must reduce its interstate access prices to reflect the net amount of support it receives. Universal Service Order ¶¶ 15 & 830. Thus, as designed by the FCC, the federal Universal Service Fund will be revenue neutral to local exchange carriers on day one.

In establishing any universal service support mechanism, T.C.A. § 65-5-207(c)(5) requires that the TRA "[d]etermine the financial effect on each universal

service provider caused by the creation or a modification of the universal service support mechanism and rebalance the effect through a one-time adjustment of equal amount to the rates of that provider."

12. Carriers eligible to receive universal service support.

Section 214(e)(2) of the 1996 Act requires that a State commission shall upon its own motion or upon request designate a common carrier as an eligible telecommunications carrier for a service area designated by the State commission. Only "eligible" telecommunications carriers may receive federal universal service support. In order to be an "eligible" telecommunications carrier, two criteria must be met: first, the carrier must offer the supported universal services either using its own facilities or a combination of its own facilities and resale of another carrier's services; and second, the carrier must advertise the availability of such services using media of general distribution. 47 U.S.C. § 214(e)(1).

The FCC has concluded that neither it nor the states could add additional criteria to those specified in the 1996 Act for purposes of the Federal universal service fund. Universal Service Order ¶ 136. However, according to the FCC, a state is not prohibited from establishing criteria in connection with the operation of that state's universal service fund, consistent with Section 254(f). *Id.*

Under T.C.A. § 65-5-207(c)(1), only those carriers providing universal service are eligible to receive universal service support. T.C.A. § 65-5-207(c)(4) also requires the TRA to administer any universal service support mechanism "in a

competitively neutral manner, and in accordance with established authority rules and federal statutes."

13. Resale and unbundled network elements.

According to the FCC, the underlying provider of the actual facilities receives universal service support; thus a carrier that offers universal service solely through reselling another carrier's telecommunications services would not be entitled to receive universal service support. Universal Service Order ¶ 152. The FCC allows a carrier that offers universal service through the purchase of unbundled network elements to receive universal service funding up to the lesser of the total amount of support given to the incumbent local exchange carrier or the price of the unbundled network elements to which it obtains access; the incumbent will receive the difference between the unbundled network element price and the amount of universal service support. *Id.* ¶ 164, n.417.

14. Designation of service areas.

The 1996 Act gives State commissions primary responsibility for designating service areas throughout which a non-rural carrier must provide universal service in order to be eligible to receive universal service support. 47 U.S.C. §§ 214(e)(2) and 241(e)(5). By contrast, the FCC and the State commissions must work jointly to alter the service areas for areas served by rural carriers. 47 U.S.C. § 241(e)(5).

The FCC has encouraged states to exercise its authority to designate service areas for non-rural carriers "in a manner that promotes the pro-competitive goals of

the 1996 Act as well as the universal service principles of section 254." Universal Service Order ¶ 184. According to the FCC, states should designate service areas that "are not unreasonably large" and that are "sufficiently small to ensure accurate targeting of high cost support and to encourage entry by competitors." *Id.*

States are encouraged to consider disaggregating a non-contiguous service area of a rural carrier into service areas composed of the contiguous portions of that area. Universal Service Order ¶ 25. The FCC will determine a procedure by which State commissions may obtain the agreement of the FCC when proposing to redefine a rural service area. If a state concludes that a service area definition different from a rural telephone company's study area would better serve the universal service principles, either the state or a carrier must seek agreement of the FCC. *Id.* ¶ 188.

15. Operation of universal service fund.

There is no federal or state law that controls how the State Universal Service Fund should be operated. The TRA will have to exercise its discretion in deciding various operational issues, including, but not limited to: (1) whether estimates may be used to establish the size of the fund on an annual basis, subject to adjustment; (2) what process should be used to determine the amount a carrier must contribute to the fund; (3) what information should an eligible carrier seeking reimbursement from the fund be required to file to determine the cost of providing local exchange service; (4) how should fund payments be distributed; (5) what procedures should

be established to audit carriers seeking reimbursement; (6) how should a fund surplus or deficit be handled; and (7) how frequently should contributions be made to the fund.

16. Affordability factor.

Section 254(b)(1) provides that "[q]uality services should be available at just, reasonable, and affordable rates." In addition, Section 254(i) requires that the FCC and the State commissions "should ensure that universal service is available at rates that are just, reasonable, and affordable."

The FCC rejected incorporating "affordability" in the establishment of the national universal service benchmark, electing instead to use nationwide average revenue per line to calculate the support eligible telecommunications carriers would receive for serving rural, insular, and high cost areas. Universal Service Order ¶ 259. However, according to the FCC, states have the initial responsibility for determining the affordability of rates, particularly since "state regulators have access to information collected at the state level pertaining to income levels and the cost of living within their respective state." *Id.* ¶ 118.

T.C.A. § 65-4-123 sets forth the telecommunications service policy of the State of Tennessee, stating that "universal service shall be maintained" and "rates charged to residential customers for essential telecommunications services shall remain affordable." In addition, T.C.A. § 65-5-207(a) defines universal service as "consisting of residential basic local exchange service at affordable rates"

17. Administration of universal service fund.

The Federal universal service fund will be administered by a neutral, third-party administrator. A Federal Advisory Committee will recommend to the FCC through a competitive process who that third-party administrator should be. Universal Service Order ¶ 861. According to the FCC, the administrator must: (1) be neutral and impartial; (2) not advocate specific positions to the FCC in proceedings not related to the administration of the universal service support mechanisms; (3) not be aligned or associated with any particular industry segment; and (4) not have a direct financial interest in the support mechanisms established by the FCC. *Id.* ¶¶ 863-864. The FCC has adopted reporting guidelines with which the chosen administrator must comply. *Id.* ¶ 868.

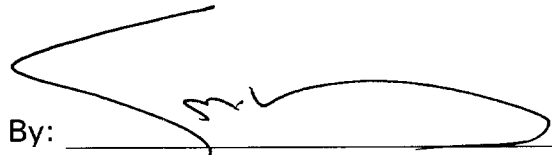
18. Lifeline program.

In addition to the \$3.50 which is provided by the FCC today in states that participate in the federal Lifeline program, the FCC has made an additional \$1.75 available for federal support. Universal Service Order ¶ 351. To receive the additional \$1.75, a state must approve the reduction in the portion of the intrastate rate paid by the end user. No matching funds are required of the state. However, if the state either institutes or leaves an existing program in place, the federal fund will provide additional support equal to one half of any support generated from the intrastate jurisdiction, up to a maximum of \$7.00 in federal support. *Id.* ¶ 352. The maximum that an end user can receive in credits is the lesser of the Lifeline

rate or \$10.50. *Id.* ¶ 355. States are encouraged to adopt Lifeline administrative procedures, including eligibility verification procedures, that are as efficient as possible. *Id.* ¶ 378. The FCC's new regulations for Lifeline support will take effect January 1, 1998.

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I hereby certify that on this 9th day of July, 1997, a copy of the foregoing document was served on all entities served previously with documents filed in this proceeding as shown on the attached list, by depositing a copy of the same in the US Mail, postage prepaid.



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Re: Universal Service Generic Contested Case

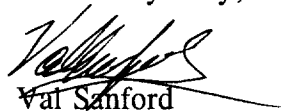
Docket No. 97-00888

Dear Mr. Waddell:

Enclosed for filing are the original and thirteen copies of the Response of AT&T Communications of the South Central States, Inc. to the Notice of Contested Case and Hearing Officer Request served in the above matter.

Copies are being served on counsel for known interested parties and if other persons desire a copy, we will be pleased to furnish it.

Yours very truly,


Val Sanford

VS/ghc

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**BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE**

07 JUL 9 07 10 52
TENN. SECRETARY

In re: UNIVERSAL SERVICE GENERIC CONTESTED CASE

Docket No: 97-00888

**RESPONSE OF AT&T COMMUNICATIONS OF THE SOUTH
CENTRAL STATES, INC. TO NOTICE OF CONTESTED CASE
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**BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE**

In re: Universal Service Generic Contested Case

Docket No: 97-00888

**RESPONSE OF AT&T COMMUNICATIONS OF THE SOUTH
CENTRAL STATES, INC. TO NOTICE OF CONTESTED CASE
AND HEARING OFFICER REQUEST**

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**BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE , TENNESSEE**

In re: UNIVERSAL SERVICE GENERIC CONTESTED CASE

Docket No: 97-00888

**RESPONSE OF AT&T COMMUNICATIONS OF THE SOUTH CENTRAL STATES, INC.
TO NOTICE OF CONTESTED CASE AND HEARING OFFICER REQUEST**

AT&T Communications of the South Central States, Inc., (here "AT&T") for its response to the Notice of Contested Case and Hearing Officer Request states that:

A. Participation

AT&T has received the Notice of Contested Case and Hearing Officer Request and intends to participate fully in this proceeding.

B. Proposals for Organization of Docket

AT&T believes that the organization of this docket is dependent upon the identification of the parties who will participate, and the issues to be considered and determined. Therefore, rather than provide specific suggestions as to how this docket should be structured and organized, AT&T is submitting the following list of decisions which AT&T believes must be made for the organization of this proceeding, with a discussion of the matters to be considered in making those decisions:

1. Decisions as to notice and parties

Before action should be taken affecting duties, rights and legal interests of any person, appropriate notice of the proceeding should be served on such person. For example, telephone cooperatives are not within the regulatory jurisdiction of the TRA under Tennessee law, but their interests may be affected in this proceeding, as, for example, in the designation of eligible

telecommunications carriers under 47 U.S.C. §214(e). A procedure must be established for the identification of all parties, both necessary and proper, and the preparation of a service list or lists. The responses received to the notice and hearing officer request will serve as a basis for the identification of parties.

In addition, a decision should be made as to whether the TRA staff will participate as a party. If so, appropriate provision must be made for such participation; and if not, then the role of the staff should be considered.

2. The development of an overall plan for the conduct of the proceeding

The parties who will be affected by the decisions to be made should be afforded an opportunity to participate in developing the plan for the making of those decisions. Given the complexity of the subject and the variety of interests affected, it is particularly important for all concerned to be afforded an opportunity to participate in the development of the plan for organizing the proceeding. The responses received from the notice and hearing officer request will serve as an appropriate first step in this process. The next step should be the convening of a first pre-hearing conference, which should be set no later than August 8, 1997, before a similar pre-hearing conference in the access charge reform proceeding. Ten days prior to that conference, the parties should be requested to submit proposed pre-hearing conference orders addressing the organization of the proceeding. At that first pre-hearing conference all the decisions to be made for the organization of the proceeding should be discussed, recognizing that it may not be practical or expedient to arrive at definitive decisions as to all organizational matters at that first conference. On the basis of that first conference the hearing officer should enter a pre-hearing conference order reflecting the decisions made by the hearing officer, including a schedule for the conduct of the proceeding, which order should be submitted to the Directors for approval at the next TRA conference.

3. Identification of Issues for decision

The issues for decision should be identified at the first pre-hearing conference and set forth in the first pre-hearing conference order, recognizing that during the course of the proceeding, other issues may arise requiring a revision of any schedule adopted.

4. Identification of, and decisions as to, controlling legal issues

As will be discussed below, there are several legal issues, the determination of which will control the course of the proceeding. Some legal decisions cannot be made prior to the development of the factual predicate for them. However, it will likely simplify the conduct of the proceeding to decide, at least preliminarily, general controlling legal issues at the outset. Such issues should be identified at the first pre-hearing conference or if that proves not to be practical at a special pre-hearing conference convened for that purpose, a briefing schedule should be adopted, a decision should be made as to whether oral argument will be allowed and the date for decision should be selected.

5. Decisions as to cost studies

At an early date, no later than August 15, 1997, the TRA should decide whether it will prepare the cost studies mentioned in paragraph 248 of the FCC's Order, and if so, how those cost studies will be prepared. In addition the TRA should decide what other cost studies should be required, and how, by whom, and by what date, those studies will be prepared. In addition, the parties should be given an opportunity to review and challenge any such studies. Thus, a schedule of cost studies should be established at an early date.

In view of the overlap between this proceeding and the access charge reform proceeding, and the sequential priority of this proceeding, in order to avoid duplicative efforts a decision should be made in this proceeding as to which cost studies should be prepared for which proceeding. All relevant cost studies should be admitted in each proceeding.

6. Whether the proceeding should be broken down into phases

As part of the development of the overall plan for the conduct of the proceeding, the TRA should decide whether any decision should be made as to some issues or parties before other issues or parties are addressed for decision by it; and in that connection, should decide whether discovery, data requests, and hearings should be scheduled accordingly.

7. Discovery - Data Requests

A schedule for party discovery requests and staff data requests should be established at an early date. Any such schedule should be keyed to the schedule of issues to be covered.

A general protective order with respect to proprietary and confidential materials should be entered in connection with the entry of the first pre-hearing conference order. In addition, discovery and data requests should be limited to the particular issues to be determined and a procedure should be established for the prompt resolution of discovery disputes.

8. Grouping of Parties

In order to avoid unnecessary duplication of effort, parties should be encouraged, on the basis of common interests in particular issues, to work together in groups in presenting testimony, briefs and arguments.

9. Schedule for hearing or hearings

As part of the overall plan for the conduct of the proceeding, the TRA, after deciding whether to make its decisions in phases, should set dates for hearing or hearings. Such settings will need to be coordinated with the other decisions to be made in the development of the plan.

10. Schedule for pre-filed testimony

In connection with setting dates for hearings, a schedule for pre-filed testimony should be developed, and procedures should be adopted for the expeditious service of such pre-filed

testimony. Rebuttal testimony should be limited to issues and authorities not previously discussed.

11. Conduct of hearings

Given the number of parties who may be participating, special arrangements for hearing proceedings, including a site for the hearing, may need to be established at a pre-hearing conference for that purpose. For example, the number of witnesses may be limited; cross-examination may be limited; and other procedures adopted to expedite the proceedings.

12. Determination of preliminary issues

As this matter proceeds, it is likely that various controversies may arise, motions may be filed, and there will be a need for the expeditious determination of any such issues. Appropriate procedures should be established for that purpose.

13. Consideration of the use of task forces, advisory committees or technical conferences and of settlement conferences

In order to expedite the conduct of the proceeding, it may be prudent to refer some issues to task forces, advisory committees, technical conferences, or settlement conferences. Any such referrals should be made pursuant to specific orders for that purpose, which orders should define the subject or subjects to be considered, require a report by a designated time, set forth the procedures to be followed and make clear that the role of such procedures is to assist the TRA, which will not be bound by the recommendations made.

14. Coordination with other proceedings

Given the "universal" nature of this proceeding, it should be afforded priority and the access reform proceeding and any proceedings which may overlap with this proceeding, should be coordinated and scheduled around this proceeding. Such coordination is primarily a matter

of avoiding duplicative efforts, conserving the resources of the TRA and the parties, and making sure of consistent results in keeping with a coherent policy.

C & D. Issues to be Considered -- Applicable State and Federal Law

I. GENERAL PRELIMINARY COMMENTS

In this matter, the issues arise out of the Tennessee statute, T.C.A. §65-5-207, the Federal statute, 47 U.S.C. §254, and the FCC's Order issued on May 7, 1997, In the Matter of Federal-State Joint Board on Universal Service, CC Docket No. 96-45.¹ A basic task of the TRA in this proceeding will be to consider, reconcile and implement both the federal and the state systems. There are a limited number of principal issues, but a large number of subsidiary issues. To understand the nature of the issues, it is necessary to understand something of how they arise under the statutes and the FCC's Order. Thus, in the interests of coherence and ready understanding, this response will combine the list of issues with a discussion of the provisions of the statutes and the FCC's Order -- without, however, discussing AT&T's position or otherwise advancing arguments as to the answers to the questions raised.

The Federal statute as implemented by the FCC Order, imposes certain duties on the states and recognizes certain powers of the states. Any consideration of the role and function of the states since the passage of the Federal Act must begin with Subsection (f) of Section 254, which deals expressly with state authority, and is, therefore, of particular significance for implementing the federal statute as well as in the implementation of any state mechanism.

¹ A summary of the FCC's Order has been published in the Federal Register of June 17, 1997, 62 Fed. Reg. 32862 et seq. which differs in form and paragraph number from the original order, but does not differ in substance. For the purposes of this response, references are made to the original order. Note that the effective date of the order is July 17, 1997, except for subpart E of Part 54 of the Rules (Universal Service Support for Low Income Consumers) which will become effective January 1, 1998.

A State may adopt regulations not inconsistent with the Commission's rules to preserve and advance universal service. Every telecommunications carrier that provides intrastate telecommunications services shall contribute, on an equitable and nondiscriminatory basis, in a manner determined by the State to the preservation and advancement of universal service in that State. A State may adopt regulations to provide for additional definitions and standards to preserve and advance universal service within that State only to the extent that such regulations adopt additional specific, predictable, and sufficient mechanisms to support such definitions or standards that do not rely on or burden Federal universal service support mechanisms.

That provision must be construed in the context of each of the principal issues before the TRA in this proceeding. In addition, the Federal Act, as the FCC repeatedly emphasized, appears to envision a coordinated system of federal/state universal service.

In order to carry out its duties under both state and federal law, the TRA in this proceeding is required to carry out a thorough and comprehensive review of the most basic policies in the regulation of telecommunications services and providers.

In simple terms, in establishing any universal service support system, the following questions have to be answered:

1. What is it -- i.e., what do we mean by "universal service"?
2. What services are to be supported?
3. What is the basis for determining support?
4. Who provides the service and gets support?
5. Who gives support?
6. How much support for each service and from what sources?
7. How may support contributions be recovered?
8. How should the new system be put in operation, including what to do about the existing system?

9. How do you make sure all this is fair and fosters competition?

In this response, those simple questions will be made more specific. Section 254 lists six principles as the basis for universal service policies. The FCC added "competitive neutrality" as a seventh principle. The FCC addressed these principles at ¶¶43-55. However, rather than attempting a separate treatment of the issues involving these principles in this response, they will be considered as they relate to each general issue.

In analyzing and implementing a Tennessee system and in carrying out its duties with respect to the federal system, the following general issues must be addressed:

1. What services are to be supported by Tennessee universal service support mechanism and what is the role of the TRA with respect to the federal system in this regard?

2. What is the proper role of the concepts of "affordable" and "explicit" under a Tennessee universal service support mechanism and what is the role of the TRA with respect to the federal system?

3. What special categories of customers are to be supported by the Tennessee universal service support mechanism and what is the role of the TRA with respect to the federal system in regard to these special categories?

4. What carriers/providers are eligible to receive support under a Tennessee universal service support mechanism and what is the role of the TRA in the federal system in this regard?

5. What carriers/providers must provide support under a Tennessee universal service support mechanism?

6. What should be the sources, and the level or amount, of support in a Tennessee system and how should that be determined and what should be the role of the TRA in the federal system in this regard?

7. How may universal service support contributions to a Tennessee system be recovered by the carrier/provider making them and what is the role of the TRA in the federal system in this regard?

8. What steps should the TRA take to ensure that a Tennessee system is nondiscriminatory and competitively neutral?

9. How and by whom should a Tennessee universal service support mechanism be administered?

10. How should the transition from the existing implicit system in Tennessee to a new explicit system be accomplished?

11. What should be the relationship between this proceeding and the access charge reform proceeding, Docket No. 97-00889?

12. What schedule should the TRA adopt for the implementation of a Tennessee universal service support mechanism?

Each of the principal issues listed above includes a number of subsidiary issues, which will also have to be identified. In addition, as the proceeding develops other issues will arise -- a fact which requires a degree of flexibility in adhering to any organization or schedule that may be adopted.

II. WHAT SERVICES ARE TO BE SUPPORTED BY A TENNESSEE UNIVERSAL SERVICE SUPPORT MECHANISM AND WHAT IS THE ROLE OF THE TRA WITH RESPECT TO THE FEDERAL SYSTEM IN THIS REGARD?

A. Issues Under the Tennessee Statute

The Tennessee statute, §65-5-207(a) defines Universal Service as "consisting of residential basic local exchange telephone service at affordable rates and carrier of last resort obligations." There are three basic concepts in this definition; (i) "residential basic local

exchange telephone service", (ii) "affordable rates", and (iii) "carrier of last resort obligations." Those terms, however, are not defined in §65-5-207, or in any other code section made applicable to §65-5-207. "Basic local exchange telephone services" is defined in §65-5-208(a)(1), but that definition is expressly limited to "services of incumbent local exchange telephone companies who apply for price regulation under §65-5-209." The concept of "affordable rates" is also used in §65-5-209, relating to price regulation plans; but the initial rates established pursuant to §65-5-209 are expressly made "subject to such further adjustment as may be made by the authority pursuant to §65-5-207", the universal service provision -- which would indicate that affordability for the purpose of §65-5-209 is not the same as affordability under §65-5-207. "Carrier of last resort obligations" is not mentioned in any other Tennessee statute.

Thus, in order to determine the meaning of "universal service" under the Tennessee statute and to determine what services are to be supported by a Tennessee universal service mechanism, the TRA must define each of those terms. However, for the purposes of this response, only "residential basic local exchange telephone services" will be considered under this question. "Affordable rates" and "carrier of last resort obligations" will be considered in the next question.

B. The effect of the Federal Act and the FCC's Rules and Order on what services are to be supported under a Tennessee universal service support system

The Federal Act, §254(c) defines universal service:

(1) In general
Universal service is an evolving level of telecommunications services that the Commission shall establish periodically under this section, taking into account advances in telecommunications and information technologies and services. The Joint Board in recommending, and the Commission in establishing, the definition of the services that are supported by Federal universal service

support mechanisms shall consider the extent to which such telecommunications services --

- (A) are essential to education, public health, or public safety;
- (B) have, through the operation of market choices by customers, been subscribed to by a substantial majority of residential customers;
- (C) are being deployed in public telecommunications networks by telecommunications carriers; and
- (D) are consistent with the public interest, convenience, and necessity

(2) Alterations and modifications

The Joint Board may, from time to time, recommend to the Commission modifications in the definition of the services that are supported by Federal universal service support mechanisms.

(3) Special services

In addition to the services included in the definition of universal service under paragraph (1), the Commission may designate additional services for such support mechanisms for schools, libraries, and health care providers for the purposes of subsection (h) of this section.

Note that while the state definition is limited to a particular category of services, i.e., "residential basic local exchange telephone services", the federal definition is broad and is subject to modification.

Section 254(f) provides:

A State may adopt regulations not inconsistent with the Commission's rules to preserve and advance universal service. Every telecommunications carrier that provides intrastate telecommunications services shall contribute, on an equitable and nondiscriminatory basis, in a manner determined by the State to the preservation and advancement of universal service in that State. A State may adopt regulations to provide for additional definitions and standards to preserve and advance universal service within that State only to the extent that such regulations adopt additional specific predictable, and sufficient mechanisms to support such definitions or standards that do not rely on or burden Federal universal service support mechanisms.

The FCC, in §55.5 of its rules, has defined "telecommunications carrier", "intrastate telecommunication", "telecommunications", "telecommunications services." Note that the federal system is in effect a minimum. The states may adopt additional definitions and

standards, but only to the extent that such provisions are specific, predictable and sufficient and do not rely on or burden the federal mechanisms.

In ¶¶56 and 61, the FCC defined the "core" or "designated" services that will be supported by universal service mechanisms. At ¶62, the FCC discussed single-party service, at ¶¶63-64, "voice grade access to public switched network", at ¶¶65-70, "support for local usage", at ¶71, "DTMF signaling", ¶¶72-74, "access to emergency services", at ¶75, "access to operator services", at ¶¶76-77, "access to interexchange services", at ¶¶80-81, "access to directory assistance and white page directories", at ¶82, "toll limitation services", at ¶83, "access to internet services", and at ¶¶84-87, "other services." The FCC discussed "feasibility of providing designated services" at ¶¶88-93, "extent of universal service support" at ¶¶94-96, and "quality of service" at ¶¶97-102.

The difference in the definitions of the basic terms raises issues which run throughout the questions raised. Thus, the TRA must first consider the different concepts of "universal service" and make a basic decision on that basis for the establishment of any Tennessee universal service support mechanism.

C. The Subsidiary Issues to Be Addressed

In addition to the issues raised under T.C.A. §65-5-207 in this regard, the provisions of the Federal Act and the FCC's Rules and Order raise issues with respect to the relationship between federal and state law with respect to the general issue of what services are to be supported by a Tennessee universal service mechanism and what role the TRA is to play in the federal system in this regard, including:

1. Must, or should, a Tennessee mechanism be limited to "basic residential local exchange telephone service"; or must any Tennessee mechanism be based on the federal

definitions "of universal service", "telecommunications carrier", and "intrastate telecommunications services?"

2. May, or should, the TRA include for support under a Tennessee mechanism, services in addition to those designated by the FCC?

3. Should the TRA adopt specific procedures for passing upon "exceptional circumstances" petitions as contemplated by ¶¶89-92 of the FCC order?

4. Must, or should, the TRA adopt quality of service standards and procedures and collect quality of service data (see ¶¶100-101)?

5. Must, or should, any Tennessee universal service order be left open in anticipation of further actions by the Joint Board and the FCC with respect to their revision of the definition of universal service?

6. Should the TRA recommend to the Tennessee General Assembly the revision of the Tennessee Statute to clarify the requirements for a Tennessee universal services support system in view of the Federal Act, and the Rules and Order of the FCC?

III. WHAT IS THE PROPER ROLE OF THE CONCEPTS "AFFORDABLE" AND "EXPLICIT" UNDER A TENNESSEE UNIVERSAL SERVICE SUPPORT MECHANISM, AND WHAT IS THE ROLE OF THE TRA WITH RESPECT TO THE FEDERAL SYSTEM IN THIS REGARD?

A. Issues Under the Tennessee Statute

As noted above, T.C.A. §65-5-207(a) includes the concepts of "affordable rates" and "carrier of last resort obligations" under its definition of "universal service"; but no express definition of either term appears in the statute. Therefore, in order to implement "universal service" under the Tennessee statute, those terms would have to be defined.

The Tennessee statute does not use the term "explicit." However, the distinction between implicit and explicit support is inherent in the language of the Tennessee statute. For

example, the statute requires in Subsection (b), a determination of all current sources of support and their associated amounts and the identification of alternative universal service support mechanisms; and in Subsection (c) requires the TRA in adopting an alternative mechanism to:

- (1) Restrict recovery from the mechanism by any telecommunications service provider to an amount equal to the support necessary to provide universal service;
- (3) Order only such contributions to the universal service support mechanisms as are necessary to support universal service and fund administration of the mechanism.

B. The Effect of the Federal Act and the FCC's Rules and Order

1. Affordable

The first "principle" stated in the Federal Act is:

- (1) **QUALITY AND RATES** -- quality services should be available at just, reasonable, and affordable rates.

Section §254(i) provides:

- (i) **CONSUMER PROTECTION.** -- the Commission and the States should ensure that universal service is available at rates that are just, reasonable, and affordable.

The FCC, in its Order, ¶¶108-126, discusses the concept of affordability. The FCC determined that the concept of affordability includes both an absolute component ("to have enough or the means for") which takes into account an individual's means to subscribe to universal service, and a relative component ("to bear the cost of without serious detriment") which takes into account whether consumers are spending a disproportionate amount of their resources on telephone services; and the states must consider both in making affordability determinations (¶110). Subscribership levels provide relevant information regarding whether consumers have the means to subscribe to universal service, and are an important tool in

evaluating affordability (§111). However, subscribership levels are not dispositive; they do not reveal whether consumers are spending disproportionate amounts for telephone services; and non-rate factors must be considered (§113). The FCC identified as non-rate factors to be considered:

- (1) The size of a customer's local calling area (§114);
- (2) The amount of toll charges a consumer incurs to contact essential service providers (§114);
- (3) Consumer income levels, i.e., the per capita income of a local or regional area (§115)
- (4) Cost of living and population density (§116); and
- (5) Legitimate local variations in rate design (§117).

The FCC stated that states should exercise initial responsibility, consistent with the FCC's standards, for determining the affordability of rates; and State commissions are the appropriate fora for challenging the affordability of intrastate rates for local and toll services (§118). States were encouraged to submit to the FCC summary reports of data collected at the state level that would assist the FCC in its determinations of its affordability (§118). Support for low income consumers will be channelled through the Lifeline and Linkup programs (§124).

2. Explicit

Section 254(e) provides that universal service support "should" be specific and explicit; principle (5) provides that federal and state mechanisms should be specific and predictable; and Subsection (f) requires that state additional definitions and standards be specific and predictable.

The FCC in its Order recognized that it did not have control over the local rate-setting process; that states have maintained low residential basic service rates through, among other things, a combination of: geographic rate averaging, higher costs for business customers, higher

intrastate access rates, higher rates for intrastate toll service, and higher rates for vertical features; and that states must, in the first instance, be responsible for identifying intrastate implicit universal service support (§14). The FCC dealt with making interstate support mechanisms explicit in considering interstate subscriber line charges and carrier common line charges (§§750-771); in its separate access charge reform order; and in its treatment of support for specific categories of customers.

In contrast to T.C.A. §65-5-207(c) which specifies what the TRA "shall" do in establishing an alternative mechanism. §254(e) provides that support "should be explicit." In deciding not to remove implicit access charge support immediately, the FCC, in its Access Charge Reform First Report and Order at ¶9, emphasized the distinction between "shall" and "should."

C. The Subsidiary Issues To Be Addressed

For the purposes of this response, it is assumed that the TRA, in developing a Tennessee universal support mechanism, must adopt the federal definition of universal service and the FCC designation of services to be supported.

1. Must, or should, the TRA adopt and follow the FCC's definition and implementation of the concept of affordability in implementing a Tennessee system (§§108-126)?
2. If so, what procedure should the TRA follow in this proceeding to apply the factors stated by the FCC to Tennessee intrastate rates for the services designated by the FCC to be supported under a Tennessee universal service support mechanism?
3. What data will have to be collected in order to implement a Tennessee mechanism pursuant to the concepts in the FCC order and how should that data be collected?

4. What changes will have to be made in the TRA's rate-setting policies in order to implement the federal concept of affordability in a Tennessee universal service support mechanism?

5. What will be the effect of the implementation of a Tennessee universal service support mechanism, pursuant to federal requirements, on Tennessee carriers under price regulation plans?

6. Given the provisions of the Federal Act and the FCC's Rules and Order (see the concepts of "exit barriers" and "portability", §§143, 167, 286-287, 311 and 47 U.S.C. §214(e)(4)), is the concept of "carrier of last resort obligations" relevant in establishing a Tennessee universal service support mechanism? If so, how is that concept to be defined and given effect?

7. What procedures should the TRA follow in this proceeding in identifying and determining the amount of existing implicit support for "universal service" as that term is defined in the Federal Act and implemented in the FCC's Order?

8. What procedures should the TRA follow in this proceeding in determining the amount and sources of explicit, specific, predictable, sufficient support for "universal service" as that term is defined in the Federal Act and implemented in the FCC's Order?

9. Is there a conflict between the federal statute's provision that support "should" be explicit and the Tennessee requirements in T.C.A. §65-5-207(c)(1)(3); and, if so, which must be followed in this proceeding?

10. Should the TRA adopt procedures, including requiring reports or other data collection, to monitor subscribership levels, or other aspects of the effectiveness of any Tennessee universal service support mechanism in order to maintain affordable rates and only explicit, specific, predictable support?

IV. WHAT CATEGORIES OF CUSTOMERS ARE TO BE SUPPORTED BY
A TENNESSEE UNIVERSAL SERVICE SUPPORT MECHANISM
AND WHAT IS THE ROLE OF THE TRA WITH RESPECT TO THE
FEDERAL SYSTEM IN THIS REGARD?

A. Issues Under the Tennessee Statute

T.C.A. §65-5-207 contains no express provision relating to the categories of customers to be supported, other than the general reference to "residential basic local exchange telephone service."

T.C.A. §65-5-207(b) requires the determination of (1) the cost of providing universal service, (2) all current sources for universal service and their associated amounts; and (3) after identifying and assessing alternative universal service support mechanisms, to determine the need and timetable for modifying current mechanisms and implementing alternative mechanisms. (Note, the TPSC began, but did not complete this task).

**B. The Effect of the Federal Act and FCC's Rules and Order,
Including the Role of the TRA**

The FCC, pursuant to its construction of the Federal Act, adopted specific rules and requirements with respect to the following categories of customers; rural, insular and high cost, **Subpart D**, §§54.301- 54.307, ¶¶199-325; low income customers, **Subpart E**, §§54.400-54.417 (Lifeline and Linkup); schools and libraries **Subpart F**, §§54.500 - 54.517, ¶¶424-607; and health care providers, **Subpart G**, §§54.601-54.623, ¶¶608-749. Particularly significant to the TRA are the provisions concerning rural and high cost and low income customers.

1. Rural, low income and high cost customers

With respect to rural and high cost support, the FCC: (i) adopted a specific time table for implementation of the federal system (¶199); (ii) established that the level of support will ultimately be based on the forward-looking economic cost of constructing and operating the

network facilities and functions used to provide the service (§199) (requiring cost studies); (iii) established revenue benchmarks to be subtracted from the forward-looking economic cost as a measure of the support to be provided, with different benchmarks for residential and single-line business customers (§200); (iv) concluded that the federal mechanism would support 25% of the difference between the forward-looking economic cost and the appropriate revenue benchmark (§201); (v) found that the states must, in the first instance, be responsible for identifying implicit intrastate universal service support (§202); (vi) determined that non-rural carriers would begin to receive support on January 1, 1999, with rural carriers subject to further review (§203); (vii) emphasized that its actions must be coordinated with state proceedings (§205); and (vii) invited states to submit cost studies (§206).

(a) Determination of Forward-looking Economic Cost Studies

With respect to the determination of forward-looking economic costs for non-rural carriers, the FCC discussed the three models proposed (§§232-244); found it could not use any of them at this time; stated that it would issue an FNPRM on such models by June 30, 1997; and would continue to use the current mechanism until January 1, 1999 (§245). The FCC will use cost studies conducted by the states that choose to submit them and that comply with its criteria (§248). States must elect by August 15, 1997 whether they will conduct such studies and must file them by February 6, 1998 (§248). If a state elects not to submit or if its submission does not meet the criteria the FCC will determine the forward-looking economic cost of providing universal service in that state according to the FCC's forward-looking cost methodology (§249). The FCC set forth the criteria for such cost studies which must be followed by the states (§250); and such studies must be the same as that used by the state to determine intrastate universal support levels pursuant to §254(e) (§251). The states were also encouraged to use proceedings to develop permanent unbundled network element prices as a

basis for their universal service cost studies (§251). The FCC will convene a proceeding by October 1, 1998 to establish cost mechanisms for rural carriers (§252).

(b) The National Benchmarks

The FCC will establish national benchmarks for residential and single line business services (§259). States have the discretion to provide universal service support beyond that included in the federal mechanism (§263). The FCC found that it appeared from the data available that the benchmark for residential service should be approximately \$31.00 and for single line business approximately \$51.00, with more precise figures to be determined after receiving cost studies (§267).

(c) Share of Support Provided by Federal System

Contributions for the federal system will be assessed solely from interstate revenues (§268). The federal share of the difference between a carrier's forward-looking economic cost of providing supported services and the national benchmark will be 25% (§269). The FCC acknowledged that it had no authority over the local rate setting process or the implicit universal service support reflected in intrastate rates, but expressed the hope of working with the states in developing a unified approach to the high cost mechanism (§271).

(d) Support for Low Income Consumers

The federal Lifeline and Linkup programs are designed to provide support for low income consumers and the FCC has the authority to revise those under §254 (§333-334). Universal service, as defined in §254 is both interstate and intrastate in nature (§333), and the state and federal governments have overlapping obligations to strengthen and advance universal service (§334). The existing federal Lifeline program is summarized in §341, and the existing Linkup program in §344. A base line amount of federal support was fixed at \$5.25 (§350); \$3.50 as currently provided, plus \$1.75, and for Lifeline customers in a given state to receive

that additional \$1.75, the state need only approve the reduction in the portion of the intrastate rates paid by the end user, no state matching is required (§351). Additional federal support, up to a maximum of \$7.00 in federal support, equal to one-half of any support generated from the intrastate jurisdiction (§352). States may determine how to generate intrastate support for Lifeline (§361). Any carrier seeking support must demonstrate to the State commission that it offers Lifeline in compliance with the FCC rules (§368). The FCC expressed the hope that states would take steps to ensure that low income consumers can receive Lifeline services from resellers (§370); and states were urged to define service areas in a way that will promote competitive neutrality (§371). States that provide intrastate matching funds are required to base eligibility criteria solely on income or factors directly related to income (§373).

Linkup will be funded through equitable and non-discriminatory contributions from all interstate telecommunications carriers (§379). The same qualifications are required for Linkup as for Lifeline and states must determine whether the cost of verification is worthwhile (§381). States may not restrict the number of service connections per year for consumers who relocate (§382).

In §384 the FCC specified the services which must be included in the Lifeline program noting that all the specified services, except toll limitations, will also be supported by universal service for rural and high cost areas. State commissions are authorized to grant carriers that are technically incapable of providing toll limitation service a period of time during which they may receive support for serving Lifeline customers while they upgrade their switches (§388). States have the discretion whether the toll-limitation rule shall apply to other than Lifeline customers. State commissions, in the first instance, may grant waivers of the prohibition against disconnection for failure to pay toll charges if the carrier meets specified tests (§396). States may impose free access to information about telecommunication services through state

mechanisms (§403). The revised Lifeline and Linkup programs become effective on January 1, 1998 (§409).

2. Schools and Libraries

The FCC order described the federal universal service support for schools and libraries in §§424-607. Of particular significance to the TRA are the following:

A state that prefers a program that targets a narrower or broader set of services may make state funds available through schools or libraries that procure those services. (§434).

The federal schools' and libraries' discount program will only become effective in states that set intrastate discounts that match the interstate discount (§443).

The FCC's policies on ILEC pricing flexibility apply only to interstate services. The ILEC's abilities to offer intrastate service in competitive bidding situations will be governed by state law (§482).

The FCC expects State commissions to apply the same federal standards in pricing to different schools and libraries when evaluating differences between customers of intrastate systems (§488).

If they believe that the lowest corresponding price is unfairly high or low, schools, libraries or carriers may seek relief from the FCC concerning interstate rates and from the State commissions regarding intrastate (§490).

The Federal Act requires the states as to intrastate rates to establish a discount on designated services provided to eligible schools and libraries (§492). States are free to establish their own discount programs under state funded programs, but such programs will not receive federal support (§527).

The FCC will provide federal support to fund intrastate discounts and its rules provide federal funding for discounts for eligible schools and libraries on both interstate and intrastate

services to the level provided, and states are required to establish intrastate discounts at least equal to the discounts on interstate services as a condition of federal support in that state (§550).

States may provide greater discounts. States may choose not to supplement the federal program and thus prohibit their schools and libraries from purchasing services at special state supported rates if the schools and libraries intend to secure federal supported discounts. If a state wants to provide an intrastate discount mechanism less than the federal discount, it may seek a waiver, but waivers will be granted only on a temporary basis for unusually compelling cases (§551).

The FCC's program starts for the 1997-98 school year. Funding will be for the calendar year and will begin to flow on January 1, 1998.

3. Health Care Providers

The FCC's Order describes the federal universal service support system for health care providers in §§608-749. States may establish and fund their own universal service support mechanism under §254(f), but the FCC must set a federal plan for minimum support levels across the country (§663).

C. The Subsidiary Issues to be Addressed

1. Must, or should, a Tennessee support mechanism extend only to residential basic local exchange telephone service customers, or must it extend to "universal service" under the federal definition?

2. Must, or should, a Tennessee support mechanism make special provision for rural, low income and high cost customers? Schools and Libraries? Health care providers?

3. What is the effect of the Federal Act, the FCC's Rules and Order on the determinations to be made by the TRA pursuant to T.C.A. §65-5-207(b)?

4. Must, or should, the TRA in this proceeding make the determinations required by T.C.A. §65-5-207(b)?
5. What is the effect of the Federal Act, the FCC's Rules and Order on the determinations to be made by the TRA, pursuant to T.C.A. §65-5-207(c)?
6. Must, or should, the TRA in this proceeding establish an alternative to universal service support mechanisms in accordance with T.C.A. §65-5-207(c)?
7. What procedures should the TRA follow in "identifying implicit intrastate universal service support" for rural and high cost areas (§202)?
8. How will the TRA coordinate its actions with respect to support for rural and high cost areas with those of the FCC (§205)?
9. Will the TRA elect by August 15, 1997 to conduct its own cost studies to be filed with the FCC by February 6, 1998 (§§248-252)?
10. What cost studies, under what principles, must, or should, the TRA require from carriers/providers, or produce itself?
11. Should the TRA, in adopting a Tennessee universal service support mechanism, provide universal service support beyond that included in the universal service support mechanism (§263)?
12. Should the TRA, in adopting a Tennessee universal service support mechanism, coordinate its operations with the federal system to develop a unified approach for "high cost mechanisms" (§271)?
13. Must, or should, the TRA in this proceeding revise the existing Lifeline and Linkup programs (§§326-409)?

14. Must, or should, the TRA in this proceeding revise the existing educational discounts now in effect in Tennessee or adopt new policies with respect to schools and libraries (see 47 U.S.C. §254(h)(1)(B) and §§424-607)?

15. Must, or should, the TRA in this proceeding adopt new policies with respect to health care providers (see 47 U.S.C. §254(h)(1)(A), §663)?

V. WHAT CARRIERS/PROVIDERS ARE ELIGIBLE TO RECEIVE SUPPORT UNDER A TENNESSEE UNIVERSAL SERVICE SUPPORT MECHANISM, AND WHAT IS THE ROLE OF THE TRA IN THE FEDERAL SYSTEM IN THIS REGARD?

A. Issues Under the Tennessee Statute

Section §65-5-207(a) refers to "carrier of last resort obligations." Subsection (c)(2) requires the TRA in creating any alternative universal service support mechanism to, "consider provision of universal service by incumbent local exchange telephone companies and by other telecommunications service providers." That statute, however, provides no specific criteria for determining eligibility to receive support.

B. The effect of the Federal Telecommunications Act and the FCC's Rules and Order on what carriers/providers are eligible to receive support, including the role of the TRA

Section 102 of the Federal Act amends §214 by adding a new subsection (e); paragraph (1) of which defines "eligible telecommunications carriers" and imposes a duty to serve and to advertise the availability of such services; paragraph (2) requires State commissions to designate a common carrier that meets the requirements of paragraph 1 as an eligible telecommunications carrier for a service area designated by the State commission and provides for the designation of more than one carrier; paragraph (3) provides for designation of eligible telecommunications carriers for unserved areas by the FCC for interstate services and by the State commissions for

intrastate; (4) provides for the relinquishment of designation; and (5) defines "service area" to be established by the State commission.

Subpart (C) of part 54 of the FCC Rules, §§54.201-54-207, further specifies the role of the State commissions with respect to "carriers eligible for universal service support", including the designation of service areas.

In the FCC's Order, the eligibility criteria are discussed in ¶¶134-149, including the advertising requirement at ¶148; the section 214(e)(1) facilities requirement is discussed in ¶¶150-179, including the use of unbundled network elements as "own facilities" at ¶¶154-168; the definition of "service area" is discussed at ¶¶184-193; "unserved areas" at ¶¶196-197; and implementation at ¶198, including the requirement that no carrier can receive federal support until designated by a State commission as eligible. Note that in ¶136, the FCC stated with respect to state powers: "Although section 214(e) precludes states from imposing additional eligibility criteria, it does not preclude states from imposing requirements on carriers within their jurisdictions, if these requirements are unrelated to a carriers' eligibility to receive federal universal service support and are otherwise consistent with federal statutory requirements. Further, section 214(e) does not prohibit a state from establishing criteria for designation of eligible carriers in connection with the operation of that state's universal service mechanism, consistent with §254(f)."

C. The subsidiary issues to be addressed

The following issues would be included among those involved under this general issue:

1. As a matter of state law, may, or should, the TRA adopt the federal eligibility criteria for a Tennessee mechanism or adopt a different set of eligibility criteria? If the latter, what should those criteria be?

2. As a matter of federal law, the TRA must designate, on its own motion or on request, a common carrier that meets the statutory requirements as an eligible telecommunications carrier for a service area designated by the TRA. What procedures are to be followed in such designation?

3. What procedure should be followed for designations of eligibility under any state mechanism?

4. Paragraph 147 of the FCC Order states that carriers do not have to be subject to State commission jurisdiction for designation under the federal statute. What procedures should be followed by the TRA under the federal statute with respect to carriers not under its state law jurisdiction, e.g., telephone cooperatives?

5. Must, may, or should, carriers not under its state law jurisdiction be designated by the TRA as eligible to receive support under any Tennessee mechanism?

6. Should the TRA adopt advertising guidelines as suggested in paragraph 148 of the FCC Order for the purposes of the federal system? If so, how should such guidelines be established?

7. May, or should, the TRA adopt advertising requirements and guidelines for any state mechanism?

8. May, or should, the TRA adopt "facilities requirements" for a state system analogous to those adopted for the federal system by §214(e)(1) as implemented by the FCC in ¶¶150-180?

9. What, if any, particular actions should the TRA take to monitor the provision of supported service "to ensure that universal service support is used as intended until competition develops", see ¶181?

10. What procedures should the TRA follow in designating non-rural service areas, see §§184-185?

11. What procedures should the TRA follow in identifying rural service areas, see §§186-191?

12. May, or should, an analogous service area concept be adopted by the TRA for any Tennessee mechanism?

13. May, or should, the concept of "support area", §§192-193, be adopted by the TRA for any Tennessee mechanism?

14. Should the TRA attempt to identify any "unserved areas" in Tennessee, see §§194-197?

VI. WHAT CARRIERS/PROVIDERS MUST PROVIDE SUPPORT UNDER A TENNESSEE UNIVERSAL SERVICE SUPPORT MECHANISM?

A. Issues Under the Tennessee Statute

T.C.A. §65-5-207(a) provides that "all telecommunications service providers" are required to contribute to the support of universal service. Subsection (c) includes "be fair to all telecommunication service providers" as one of the criteria for an alternative mechanism; and Subparagraph (4) of Subsection (c) requires the universal service support mechanism to be administered in a competitively neutral manner. "Telecommunications service provider" is defined in T.C.A. §65-4-101(c) in a manner indicating that the term includes only providers subject to regulation by the TRA. Thus, under the Tennessee statute, a state system established pursuant to T.C.A. §65-5-207 apparently could require contributions of support for universal service only from those telecommunications providers regulated by the TRA.

B. The Effect of the Federal Telecommunications Act and the FCC's Rules and Order on What Carriers Must Provide Support

Section 254(b)(4) lists as one of the "universal service principles";

- (4) **EQUITABLE AND NON-DISCRIMINATORY CONTRIBUTIONS.** -- All providers of telecommunications services should make an equitable and non-discriminatory contribution to the preservation and advancement of universal service.

Section 3 of the Federal Act amends 47 U.S.C. §153, by adding new definitions, including:

(48) **TELECOMMUNICATIONS.** -- The term 'telecommunications' means the transmission, between or among points specified by the user, of information of the user's choosing without change in the form or content of the information as sent and received.

(49) **TELECOMMUNICATIONS CARRIER.** -- The term 'telecommunications carrier' means any provider of telecommunications services, except that such term does not include aggregators of telecommunications services (as defined in section 226). A telecommunications carrier shall be treated as a common carrier under this Act only to the extent that it is engaged in providing telecommunications services, except that the Commission shall determine whether the provision of fixed and mobile satellite service shall be treated as common carriage.

(51) **TELECOMMUNICATIONS SERVICE.** -- The term 'telecommunications service' means the offering of telecommunications for a fee directly to the public, or to such classes of users, as to be effectively available directly to the public, regardless of the facilities used.

Section 254(f) provides in pertinent part:

Every telecommunications carrier that provides intrastate telecommunications services shall contribute, on an equitable and non-discriminatory basis, in a manner determined by the state to the preservation and advance of universal service in that State.

Rule 54.5 further specifies these definitions:

"Telecommunications" is the transmission, between or among points specified by the user, of information of the user's choosing, without change in the form or content of the information as sent and received.

A "telecommunications carrier" is any provider of telecommunications services, except that such term does not include aggregators of telecommunications services as defined in

section 226 of the Act. A telecommunications carrier shall be treated as a common carrier under the Act only to the extent that it is engaged in providing telecommunications services, except that the Commission shall determine whether the provision of fixed and mobile satellite service shall be treated as common carriage. This definition includes cellular mobile radio service (CMRS) providers, interexchange carriers (IXCs) and, to the extent they are acting as telecommunications carriers, companies that provide both telecommunications and information services. Private mobile, radio service (PMRS) providers are telecommunications carriers to the extent they provide domestic or international telecommunications for a fee directly to the public.

"Telecommunications service" is the offering of telecommunications for a fee directly to the public, or to such classes of users as to be effectively available directly to the public, regardless of the facilities used.

Rule 54.703 further specifies the telecommunications carriers that must contribute to the federal universal service support program:

- (1) cellular telephone and paging services;
- (2) mobile radio services;
- (3) operator services;
- (4) personal communications services (PCS);
- (5) access to interexchange service;
- (6) special access service;
- (7) WATS;
- (8) toll-free service;
- (9) 900 service;
- (10) message telephone service (MTS);
- (11) private line service;
- (12) telex;
- (13) telegraph;
- (14) video services;
- (15) satellite service;
- (16) resale of interstate services; and
- (17) payphone services.

Rule 54.705 states a *de minimus* exemption:

If a contributor's contribution to universal service in any given year is less than \$100, that contributor will not be required to submit a contribution or Universal Service Worksheet for that year. If a contributor improperly claims exemption from the contribution requirement, it will subject to the criminal provisions

of section 220(d) and (e) of the Act regarding willful false submissions and will be required to pay the amounts withheld plus interest.

The FCC discussed contributors to support mechanisms in §§772-800, and the *de minimus* exemption in §§801-805. The rule is that all telecommunications carriers that provide interstate telecommunications services must contribute to the interstate support mechanism (§777). The FCC defined with more specificity, "interstate" (§778), including international (§779); "telecommunications" (§§780-783); "for a fee" (§784); "directly to the public" (§§785-786); and discussed certain particular cases (§§782-792).

The FCC noted that §254(f) provides that states may require telecommunications carriers that provide intrastate telecommunications services to make equitable and non-discriminatory contributions to state mechanisms; and found that §332(c)(3) does not preclude states from requiring CMRS providers to contribute to state support mechanisms (§791).

Neither the FCC's Rules nor Order appears to impose any duties on State commissions in connection with this aspect of the federal system.

C. The Subsidiary Issues To Be Addressed

1. Does §254(f) require the TRA to adopt and implement the federal definitions of "telecommunications carrier", "intrastate telecommunications service" in any state universal service support system? If so, must all telecommunications carriers who provide Tennessee intrastate telecommunications services be required by the TRA to contribute to any Tennessee universal service support mechanism?

2. Despite the language of §254(f) do the limitations on the TRA's jurisdiction under Tennessee law preclude it from bringing telecommunications providers which are not within its regulatory jurisdiction within the scope of a Tennessee universal service support mechanism?

3. What procedures should the TRA follow in determining what carriers/providers must provide support to any Tennessee system?

VII. WHAT SHOULD BE THE SOURCES, AND THE LEVEL OR AMOUNT OF SUPPORT IN A TENNESSEE UNIVERSAL SERVICE SUPPORT SYSTEM AND HOW SHOULD THAT BE DETERMINED AND WHAT SHOULD BE THE ROLE OF THE TRA IN THE FEDERAL SYSTEM?

A. Issues Under the Tennessee Statute

T.C.A. §65-5-207(A) premises universal service on insuring "the availability of affordable residential local exchange telephone service." Subsection (c) requires the TRA in creating an alternative mechanism, among other things, to:

- (1) Restrict recovery from the mechanism by any telecommunications service provider to an amount equal to the support necessary to provide universal service;
- (3) Order only such contributions to the universal service support mechanisms as are necessary to support universal service and fund administration of the mechanism.

The statute, however, provides no greater specificity with respect to these general limitations. Thus, the TRA in assessing any universal service support mechanism must make specific those general provisions.

The Tennessee statute does not specifically identify the sources of support. It does include, as a criteria for an alternative mechanism, preventing "the unwarranted subsidization of any telecommunications service provider's rates by consumers or by another telecommunications service provider."

B. The Effect of the Federal Act, the FCC Rules and Order and the role of the TRA

The federal statute also does not specifically identify the sources of support. It does prohibit subsidization of competitive service (§254(k)). The latter Subsection also provides:

The Commission, with respect to interstate services, and the States, with respect to intrastate services, shall establish any necessary cost allocation rules, accounting safeguards, and guidelines to ensure that services included in the definition of universal service bear no more than a reasonable share of the joint and common costs of facilities used to provide those services.

As noted above, while the FCC Order deals specifically with interstate sources of support, it leaves the intrastate sources to the states, at least in the first instance. The FCC approached the level or amount of support, first, by means of the general concept of affordability (discussed above) and, then, specifically with respect to rural, insular, and high cost areas; low-income consumers, schools and libraries, and health care providers.

The FCC discussed the basis for assessing contributions and their calculation at ¶¶842-857, concluding, at ¶854 that the "end-user telecommunications revenue approach" was more consistent with the principle of competitive neutrality than the "gross revenue approach" and easier to administer than the "net telecommunications revenue" approach. The FCC stated that carriers will calculate their contributions by multiplying their end-user revenues by the universal service contribution percentage announced by the FCC or the administrator.

C. Subsidiary Issues

Assuming that the TRA will adopt and implement the federal definitions of universal service and affordability, will designate the carriers/providers eligible to receive the support and the carriers/providers required to furnish support in accordance with federal law, then the question of the level or amount of support for such services will turn on the concept of sufficient, i.e., the level or amount of support for the designated services to be supported must

be "sufficient" for that purpose (§254(b)(5) and (f)). The following questions must then be addressed:

1. Are the limitations imposed in T.C.A. §65-5-207(c)(1) and (3) consistent with the federal concept of "sufficient"?
2. What should be the explicit, predictable and specific sources for the support of "affordable rates" generally, for the support of rural and high-cost areas, and for the support of low-income consumers (Lifeline and Linkup); and what procedures should be followed by the TRA in making those determinations?
3. If the TRA adds any other services for support in a Tennessee universal service support mechanism, what should be the explicit, predictable and specific sources of support for such services; and what procedures should the TRA follow in making those determinations?
4. For the purpose of establishing a Tennessee universal service support mechanism, must, or should, the TRA determine the level or amount of support (a) for the intrastate services designated by the FCC for support under the concept of affordability as determined by the FCC, and (b) for the intrastate aspect of support for rural and high cost areas as set forth by the FCC?
5. For the purpose of establishing a Tennessee universal service support mechanism, may, or should, the TRA provide support for low income consumers through Tennessee Lifeline and Linkup programs above that provided by the federal mechanisms?
6. For the purpose of establishing a universal service support mechanism, if any additional services are to be supported, how will the level or amount of such support be determined?
7. What procedures should the TRA follow in this proceeding for determining the level or amount of support (a) for the services designated to be supported by the FCC generally; (b) for rural and high cost areas and (c) for any services added by the TRA?

8. In establishing a Tennessee system, what cost allocation rules, accounting safeguards, and guidelines should the TRA establish (1) to ensure that services included in the definition of universal service bear no more than a reasonable share of the joint and common costs of facilities used to provide those services; and (2) to protect against the unwarranted subsidization of services or providers; and what procedures should the TRA adopt in order to make those determinations?

9. Must, or should, the TRA follow the FCC's "end-user telecommunications revenues" approach? (§854).

10. How will carriers/providers be required to calculate their contributions to any Tennessee mechanism?

VIII. HOW MAY UNIVERSAL SERVICE SUPPORT CONTRIBUTIONS TO A TENNESSEE SYSTEM BE RECOVERED BY THE CARRIER/PROVIDER MAKING THEM, AND WHAT IS THE ROLE OF THE TRA IN THE FEDERAL SYSTEM IN THIS REGARD?

A. Issues Under the Tennessee Statute

The Tennessee statute contains no specific provisions with respect to the recovery of universal service support contributions. The statute, T.C.A. §65-5-207(c)(5)(6)(7) and (8), deals with the effect of the creation or modification of universal service on providers (to be discussed under Section XI of this response), but nothing is said about the effect on contributors. Assuming that all providers/carriers must contribute (see section VI above), then consideration must be given to the recovery of such contributions. Of course, some possible contributors are not under the state regulatory jurisdiction of the TRA and those that are under the TRA's jurisdiction are subject to different forms of regulation.

B. The Effect of the Federal Statute and the FCC's Rules and Order

The FCC in its Order stated that pending further consideration by the Joint Board of jurisdictional issues, "We deem it to be in the public interest to maintain the current relationship whereby the federal government oversees the assessments and recovery of the interstate share of the necessary contributions, and the state governments assess and provide recovery for the intrastate share of the necessary contributions."

Therefore, it appears that for the time being, the states should continue to provide for the recovery for the intrastate share of the necessary contributions. Thus, it is appropriate for the TRA to consider the recovery of whatever contributions are made by carriers/providers from intrastate revenues for any Tennessee system.

C. Subsidiary Issues

1. Given the varying forms of regulation to which the carriers/providers which will make contributions to a Tennessee universal service support mechanism are subject, should the TRA attempt to develop any general rule, criteria, or guidelines in this regard in this proceeding; or should the TRA leave such determinations to subsequent proceedings involving particular carriers or categories of carriers?

2. What procedures should the TRA follow in making these determinations?

IX. WHAT STEPS SHOULD THE TRA TAKE TO ENSURE THAT A TENNESSEE SYSTEM IS NON DISCRIMINATORY AND COMPETITIVELY NEUTRAL?

A. Issues Under the Tennessee Statute

T.C.A. §67-5-207(c) provides that an alternative support mechanism must, among other things, "be fair to all telecommunications service providers, and prevent the unwarranted subsidization of any telecommunications service provider's rates by consumers or by another

telecommunications service provider." Subparagraph (4) requires the TRA to "administer the universal service support mechanism in a competitively neutral manner, and in accordance with established authority rules and federal statutes."

In addition, the prohibitions against undue preferences and unjust discrimination apply generally, see e.g., T.C.A. §§65-4-115 and 122 and 65-5-204.

Thus, any Tennessee system must conform to those principles.

B. The Effect of the Federal Statute and the FCC's Rules and Order

Section 254(b)(4) provides: "EQUITABLE AND NON-DISCRIMINATORY CONTRIBUTIONS. - all providers of telecommunications services should make an equitable and non-discriminatory contribution to the preservation and advancement of universal service."

Subsection (f) also requires contributions to be "on an equitable and non-discriminatory basis."

Pursuant to §254(b)(7), and the recommendation of the Joint Board, the FCC added a principle of competitive neutrality, stated at ¶47: "COMPETITIVE NEUTRALITY -- Universal service support mechanisms and rules should be competitively neutral. In this context, competitive neutrality means that universal service support mechanisms and rules neither unfairly advantage nor disadvantage one provider over another, and neither unfairly favor nor disfavor one technology over another."

This principle was further discussed in ¶¶48-51. At ¶55, the FCC concluded that the provision for "equitable and non-discriminatory contributions" and "specific and predictable mechanisms" included the concept of "economic efficiency" to the extent they promote competition through an open and competitively neutral marketplace.

At ¶52, the FCC stated: "We agree with the Joint Board's recommendation that our universal service policies should strike a fair and reasonable balance among all of the principles

identified in section 254(b) and the additional principle of competitive neutrality to preserve and advance universal service. Consistent with the recommendations of the Joint Board, we find that promotion of any one goal or principle should be tempered by a commitment to ensuring the advancement of each of the principles enumerated above."

In discussing the various particular provisions of its Order, the FCC considered the applicability of these principles.

C. Subsidiary Issues

1. In assessing each aspect of a Tennessee universal service support system, what steps should the TRA take to ensure compliance with the principles of non-discrimination and competitive neutrality?

2. Should the TRA develop more detailed guidelines, criteria or standards, or procedures, in the administration of the Tennessee system to ensure compliance with the principles of non-discrimination and competitive neutrality?

X. HOW AND BY WHOM SHOULD A TENNESSEE UNIVERSAL SERVICE SUPPORT MECHANISM BE ADMINISTERED?

A. Issues Under the Tennessee Statute

The Tennessee statutes contains no express provision as to by whom an alternative mechanism should be administered. T.C.A. §65-5-207(c)(3) does provide that contributions should fund administration of the mechanism. Subsection (c) also provides that the TRA shall carry out the eight Subparagraphs in that Subsection, which includes Subparagraph (4), "administer the universal service support mechanism."

The TRA is not otherwise expressly authorized to delegate its duties.

B. The Effect of the Federal Statute and the FCC's Rules and Order

The FCC proposes to administer the federal universal service support mechanism through creating a Federal Advisory Committee whose sole responsibility will be to recommend to the FCC through a competitive process a neutral, third-party administrator. NECA was appointed temporary Administrator pending the naming of the permanent Administrator (§§861-869). Throughout the FCC's Order, various duties are assigned to the Administrator.

C. Subsidiary Issues

1. Does the TRA have the power to delegate the administration of a Tennessee system to a neutral third-party administrator? If so, should it do so, and if it does, how will that administrator be chosen and what duties will be assigned to it?

2. The Tennessee statute contemplates that contributions will fund administration of the mechanism. Must, or should, the TRA in this proceeding determine the personnel, equipment and facilities needed for the administration of the system and estimate the cost of funding administration, with such cost to be included in the contributions to the system?

3. May, must, or should the TRA create a separate division or other office within the TRA for the administration of the Tennessee mechanism?

4. What duties, if any, should be specifically assigned to any administrator of the system, and what duties should be retained by the directors of the TRA?

XI. HOW SHOULD THE TRANSITION FROM THE EXISTING IMPLICIT SYSTEM IN TENNESSEE TO A NEW EXPLICIT SYSTEM BE ACCOMPLISHED, INCLUDING ANY ADJUSTMENTS IN THE RATES OF CARRIERS AFFECTED BY THE TRANSITION?

A. Issues Under the Tennessee Statute

The Tennessee statute contains no express provision governing the means of accomplishing the transition from the existing system to a new system. T.C.A. §65-5-207(c)(5)(6)(7) and (8), however, requires the TRA in establishing an alternative mechanism, to determine the financial effect on each universal service provider caused by the creation of a new system and provides criteria for rebalancing that effect. In addition, Subsection (e) provides: "nothing in this section shall be construed to require the Authority to raise residential basic local exchange telephone service rates." Note that this provision is not an express prohibition.

Of course, the general principles applicable to rate setting by the TRA continue to apply, as well as the general principles applicable to universal service.

B. The Effect of the Federal Act and the Rules and Order of the FCC

Nothing in the Federal Act appears to govern the means of transition by the states to a new system. The FCC's Order also appears to leave such matters to the states in keeping with its recognition that it has no power over setting of intrastate rates. Of course, the general principles established in §254 with respect to universal service continue to apply.

Note that the FCC, contemporaneously with the issuance of its universal service order, also issued a separate order reforming its price regulation plan.

C. Subsidiary Issues

Note that scheduling is considered in the section of this response dealing with organization of the proceeding.

During the course of this proceeding as discussed above, the TRA will have to determine "the current sources of support for universal service and their associated amounts", the amount required to fund the new mechanism and the amount and source of the contributions necessary for that purpose. Once those determinations are made, the TRA will then have to decide how

to accomplish the transition from the present system to the new system, including what adjustments should be made in the rates of the providers effected by that transition. Thus, the transition itself (aside from any scheduling or timetable) will require the TRA to consider:

1. What procedures should be followed in this proceeding to determine the standards or criteria which will govern that transition and the procedures to be followed in accomplishing it?

2. What cost studies will be required, on what basis, and who should provide them?
(See Section IV above).

3. Given the fact that the providers which would be effected by the transition are subject to differing regulatory systems and have differing rates, should the TRA commence separate proceedings to determine the means of transition and any adjustments for the effect thereof for each such provider or each category of providers?

4. Given the fact that any transition will also affect the providers which have been making contributions to the existing systems, what general standards or criteria should govern the consequences of that effect, and what procedure should be followed in accomplishing the transition as to such providers? (Note that questions as to the recovery of contributions made to the system are considered in Section VIII above).

5. Since the same providers may be both making contributions and receiving support, should a system of off-sets be provided?

6. What reports should be required, and other data collected, by the TRA or the Administrator with respect to the transition?

XII. WHAT SHOULD BE THE RELATIONSHIP BETWEEN THIS PROCEEDING AND THE ACCESS CHARGE REFORM PROCEEDING, DOCKET NO. 97-00889?

The coordination of the two proceedings is discussed above in the section of this response dealing with organization of the proceedings, and is also discussed in the response filed in the access charge reform proceeding.

XIII. WHAT SCHEDULE SHOULD THE TRA ADOPT FOR THE IMPLEMENTATION OF A TENNESSEE UNIVERSAL SERVICE SUPPORT MECHANISM?

A. General Considerations

Obviously, the schedule for implementation will depend in large measure on the system to be implemented. However, there are certain general considerations which may be addressed in developing a overall plan. Perhaps the most significant consideration is the coordination of the schedule for any Tennessee system with the implementation of the federal system. The FCC's schedule of implementation is scattered through its order. For the purposes of any Tennessee system, however, consideration should be given to adopting a specific, overall plan of implementation which cannot be done fully until after the system is developed.

B. Subsidiary Issues

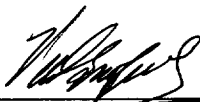
1. To what extent, and in what manner, should the TRA coordinate the implementation of a Tennessee system or mechanism with the implementation of the federal system?

2. How should the TRA coordinate the implementation of the decisions made in this proceeding with the decisions to be made in the access charge reform proceeding and with other separate proceedings which may be instituted as a consequence of decisions made in this proceeding?

3. What general considerations should be taken into account in developing an overall plan and schedule of implementation?

CONCLUSION

The TRA has the power and the duty under Tennessee and Federal law to develop and implement a new regulatory system for telecommunication services and providers based on competition, reduced regulation and universal service. This universal service proceeding is indeed "universal" in scope, affecting in some degree all providers of intrastate telecommunication services in Tennessee. This proceeding is, thus, crucial in the development and implementation of the overall strategy for achieving the objectives of the new regulatory system. The TRA has appropriately taken a leading role in the expeditious handling of the complex proceedings required for achieving the goals of the new system. AT&T, obviously, has a significant stake in this proceeding, and is committed to working with the TRA for the expeditious, just and reasonable resolution of the issues in this proceeding.



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CERTIFICATE OF SERVICE

The Notice and Request of Hearing Officer does not specify the persons on whom responses should be served; nor has the identity of the parties to this proceeding been established. Accordingly, AT&T is serving, either by hand delivery or U. S. Mail, this Response on counsel for those providers who are presumed to have an active interest to participate in the proceeding. If any other person desires a copy, we would be pleased to furnish it.

This 9th day of July, 1997.

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July 9, 1997

* ALSO LICENSED IN GEORGIA
ALSO LICENSED IN ALABAMA
+ ALSO LICENSED IN ARIZONA

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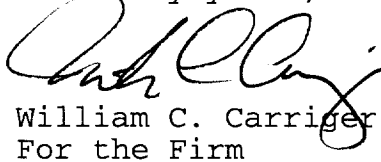
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Re: Universal Service Generic Contested Case
Docket No. 97-00888
Petition of AT&T Communications of the South Central
States Inc. for the Convening of a Generic Contested
Case for the Purpose of Access Charge Reform
Docket No. 97-00889

Dear Mr. Waddell:

We are enclosing the Electric Power Board of Chattanooga's responses to the Hearing Officer's requests in the above-captioned dockets.

Sincerely yours,


William C. Carriger
For the Firm

WCC/ks
Enclosure
68208

**BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE**

In Re: :
: :
Universal Service Generic : Docket No. 97-00888
Contested Case :
:

RESPONSE TO HEARING OFFICER'S REQUEST BY THE
ELECTRIC POWER BOARD OF CHATTANOOGA

In response to the Notice of Contested Case and Hearing Officer Request dated June 13, 1997, the Electric Power Board of Chattanooga, a board of the City of Chattanooga having responsibility for the municipal electric plant (hereinafter referred to as "EPB") plans to intervene and fully participate in this proceeding.

Issues that the EPB believes are relevant and should be considered in this Docket include:

- ◆ The portability of Tennessee Universal Service Fund support among competitive and incumbent local exchange carriers.
- ◆ The identification of the list of services to be supported by the Tennessee Universal Service Fund.
- ◆ The qualification requirements for competitive and incumbent local exchange carriers to be designated as Eligible Telecommunications Carriers for purposes of receiving Tennessee Universal Service Fund support and Interstate Universal Service Fund support.
- ◆ The availability of funding for schools, libraries and rural health care providers.

In response to the Hearing Officer's request for what EPB anticipates will be the controlling law for this Docket, EPB would contend that the overriding relevant law is the Telecommunications Act of 1996 ("the Federal Act"). Section 254 of the Federal Act clearly requires that both state and federal universal service funding be competitively neutral and portable

among competitive and incumbent local exchange carriers. Also, as indicated in the Notice, Tennessee Code Annotated § 65-5-207 clearly requires that universal service be maintained after local exchange markets are opened to competition. Relevant federal orders include Federal Communications Commission orders in: CC Docket No. 96-45 (the "Universal Service Order" released May 8, 1997), CC Docket No. 96-98 (the "Interconnection Order" released August 8, 1996), and CC Docket No. 96-262 (the "Access Charge Order" released May 16, 1997).

This 9th day of July, 1997.

Respectfully submitted,

STRANG, FLETCHER, CARRIGER,
WALKER, HODGE & SMITH, PLLC

By: 

William C. Carriger BPR #1788
Attorneys for Electric Power
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(423) 265-2000
FAX (423) 756-5861

**BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE**

In Re: :
:
Petition of AT & T Communications :
of the South Central States, Inc. : Docket No. 97-00889
for the Convening of a Generic :
Contested Case for the Purpose :
of Access Charge Reform :

RESPONSE TO HEARING OFFICER'S REQUEST BY THE
ELECTRIC POWER BOARD OF CHATTANOOGA

In response to the Notice of Contested Case and Hearing Officer Request dated June 13, 1997, the Electric Power Board of Chattanooga, a board of the City of Chattanooga having responsibility for the municipal electric plant (hereinafter referred to as "EPB") plans to intervene and fully participate in this proceeding.

Issues that the EPB believes are relevant and should be considered in this Docket include:

- ♦ The comparability of access rates between interstate and intrastate jurisdictions.
- ♦ The relevant access rate structure for Tennessee in light of the recently released Federal Communications Commission ("FCC") order in Docket No. CC 96-262, including the potential adoption of state Subscriber Line Charges ("SLCs") and Primary Interexchange Carrier Charges ("PICCs").
- ♦ The interrelationships between universal service, including both state and federal universal service funding, and the appropriate level of intrastate access charges.

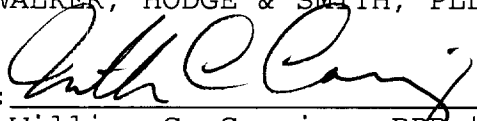
In response to the Hearing Officer's request for what EPB anticipates will be the controlling law for this Docket, EPB would contend that the overriding relevant law is the Telecommunications Act of 1996 ("the Federal Act"). Also Tennessee Code Annotated § 65-5-207 requires that universal service be maintained after local exchange markets are opened to

competition. Due to the interrelationship between intrastate access charges and universal service, Section 65-5-207 is also relevant to this Docket. Relevant FCC orders in addition to CC Docket No. 96-262 (the "Access Charge Order" released May 16, 1997) include: CC Docket No. 96-45 (the "Universal Service Order" released May 8, 1997) and CC Docket No. 96-98 (the "Interconnection Order" released August 8, 1996).

This 9th day of July, 1997.

Respectfully submitted,

STRANG, FLETCHER, CARRIGER,
WALKER, HODGE & SMITH, PLLC

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July 9, 1997

VIA FACSIMILE NO. (615) 741-5015

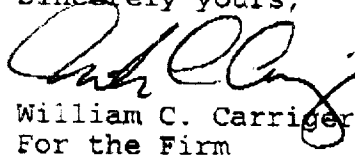
Mr. K. David Waddell
Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243-0505

Re: Universal Service Generic Contested Case
Docket No. 97-00888
Petition of AT&T Communications of the South Central
States Inc. for the Convening of a Generic Contested
Case for the Purpose of Access Charge Reform
Docket No. 97-00889

Dear Mr. Waddell:

We are enclosing the Electric Power Board of Chattanooga's responses to the Hearing Officer's requests in the above-captioned dockets.

Sincerely yours,


William C. Carriger
For the Firm

WCC/ks
Enclosure
68208

**BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE**

In Re:	:	
	:	
Universal Service Generic	:	Docket No. 97-00888
Contested Case	:	
	:	

RESPONSE TO HEARING OFFICER'S REQUEST BY THE
ELECTRIC POWER BOARD OF CHATTANOOGA

In response to the Notice of Contested Case and Hearing Officer Request dated June 13, 1997, the Electric Power Board of Chattanooga, a board of the City of Chattanooga having responsibility for the municipal electric plant (hereinafter referred to as "EPB") plans to intervene and fully participate in this proceeding.

Issues that the EPB believes are relevant and should be considered in this Docket include:

- ♦ The portability of Tennessee Universal Service Fund support among competitive and incumbent local exchange carriers.
- ♦ The identification of the list of services to be supported by the Tennessee Universal Service Fund.
- ♦ The qualification requirements for competitive and incumbent local exchange carriers to be designated as Eligible Telecommunications Carriers for purposes of receiving Tennessee Universal Service Fund support and Interstate Universal Service Fund support.
- ♦ The availability of funding for schools, libraries and rural health care providers.

In response to the Hearing Officer's request for what EPB anticipates will be the controlling law for this Docket, EPB would contend that the overriding relevant law is the Telecommunications Act of 1996 ("the Federal Act"). Section 254 of the Federal Act clearly requires that both state and federal universal service funding be competitively neutral and portable

among competitive and incumbent local exchange carriers. Also, as indicated in the Notice, Tennessee Code Annotated § 65-5-207 clearly requires that universal service be maintained after local exchange markets are opened to competition. Relevant federal orders include Federal Communications Commission orders in: CC Docket No. 96-45 (the "Universal Service Order" released May 8, 1997), CC Docket No. 96-98 (the "Interconnection Order" released August 8, 1996), and CC Docket No. 96-262 (the "Access Charge Order" released May 16, 1997).

This 9th day of July, 1997.

Respectfully submitted,

STRANG, FLETCHER, CARRIGER,
WALKER, HODGE & SMITH, PLLC

By: 

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RICHARD M. TETTELBAUM Associate General Counsel

'97 JUL 9 AM 11 22

EXECUTIVE SECRETARY

FEDERAL EXPRESS

July 8, 1997

David Waddell, Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243-0505

Re: Docket No. 97-00888, Universal Service Generic
Contested Case

Dear Mr. Waddell:

Enclosed herewith for filing are the original and 14 copies of the Response of the Citizens Local Exchange Carriers to Notice of Contested Case and Hearing Officer Request.

An extra copy of this filing is included for date stamping and return in the enclosed, self-addressed and postage prepaid return envelope.

Yours very truly,

A handwritten signature in black ink, appearing to read "RM Tettelbaum", written over a horizontal line.

Richard M. Tettelbaum

cc (w/encl):
Wayne Lafferty
J. Michael Swatts

**BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE**

In Re:)	
)	
Universal Service Generic)	Docket No. 97-00888
Contested Case)	

**RESPONSE OF THE CITIZENS LOCAL EXCHANGE COMPANIES
TO NOTICE OF CONTESTED CASE AND HEARING OFFICER REQUEST**

Citizens Telecommunications Company of Tennessee, LLC and Citizens Telecommunications Company of the Volunteer State, (collectively referred to as the "Citizens LECs"), by their attorney, hereby respond to the June 13, 1997 Notice of Contested Case and Hearing Officer Request as follows:

1. The Citizens LECs, as incumbent local exchange carriers providing universal services in suburban and rural communities in the State, have a vital interest in the outcome of this proceeding. Accordingly, they intend to actively and fully participate in this proceeding.

2. This proceeding is inextricably tied to the access charge reform proceeding, Docket No. 97-00889. The Citizens LECs are concerned that the Authority not make the same mistake that the Federal Communications Commission has made -- attempting to address access charge reform prior to completion of universal service proceedings. Because intrastate access charges have historically included implicit subsidies to local exchange services, great care must be taken in identifying these subsidy amounts, ascertaining what universal service funding requirements are and structuring a new universal service system driven by explicit subsidization. In order to avoid endangering the provision of universal service in this State, completion of this Docket No. 97- 00888 universal service proceeding should be deemed a condition precedent to commencement of the access charge investigation contemplated in this proceeding.

Accordingly, the Citizens LECs believe that the Docket No. 97-00889 access charge reform proceeding should be deferred until completion of the universal service proceeding.

3. In the event that the Authority determines to complete access charge reform prior to completion of universal service proceedings, an interim universal service system will need to be implemented.

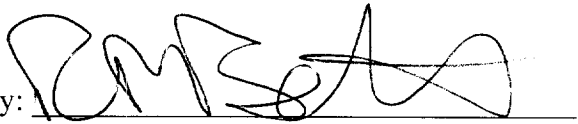
4. On April 21, 1997, the Citizens LECs filed their Petition For Establishment of Alternative Universal Service Support Mechanisms (the "Citizens USF Petition"), a copy of which is appended hereto and incorporated by reference herein. In that petition, which appears to have been subsumed in this proceeding,¹ the Citizens LECs raised universal service issues related to changes in intraLATA and Extended Area Service ("EAS") settlements agreements between incumbent LECs. Even though BellSouth Telecommunications Company has since withdrawn its notices of canceling the preexisting EAS settlements agreements, the issue has become dormant, but has not gone away. At some point in the foreseeable future, the issue of replacing those EAS settlements agreements must be addressed. In the case of intraLATA toll settlements, the implicit universal service subsidy that has flowed to the Citizens LECs will end on August 8, 1997 for the reasons set forth in the Citizens USF Petition.² Because both issues raised in the Citizens USF Petition are important universal service issues, they should be made issues in this proceeding.

¹ See Order Convening Generic Contested Case issued May 29, 1997.

² In the near future, the Citizens LECs will be seeking interim relief for the loss of the implicit subsidy contained in the soon-to-be terminated BellSouth Telecommunications Company-Citizens LEC intraLATA toll settlements arrangements.

Respectfully submitted,

CITIZENS TELECOMMUNICATIONS
COMPANY OF TENNESSEE, LLC
and
CITIZENS TELECOMMUNICATIONS
COMPANY OF THE VOLUNTEER STATE, LLC

By: 

Richard M. Tettelbaum, Associate General
Counsel

Citizens Telecom
Suite 500, 1400 16th St., N.W.
Washington, D.C. 20036

(202) 332-5922

July 8, 1997

BEFORE THE TENNESSEE REGULATORY AUTHORITY

**IN RE: Petition Of Citizens Telecommunications Company
 Of Tennessee L.L.C. And Citizens Telecommunications
 Company Of The Volunteer State L.L.C. For Establishment
 Of Alternative Universal Service Support Mechanisms**

CASE NO.

**PETITION FOR ESTABLISHMENT OF ALTERNATIVE
UNIVERSAL SERVICE SUPPORT MECHANISMS**

Citizens Telecommunications Company of Tennessee L.L.C. and Citizens Telecommunications Company of the Volunteer State L.L.C. (the "Citizens LECs"), by their attorney, submit Their Petition For Establishment Of Alternative Universal Service Support Mechanisms, and, in support thereof, respectfully show as follows:

1. In its Order dated February 7, 1996 in its Docket No. 95-02499 Universal Service Proceeding (the "February 7, 1997 Universal Service Order"), the Tennessee Public Service Commission found:

As the costs of universal service are covered [on an embedded cost basis] by the current support mechanisms and are not under immediate competitive threats, no alternative universal service support mechanism is necessary at this time. Nevertheless, alternative support mechanisms may be desirable in order to encourage economic and fair competition, to prevent cross-subsidies among the incumbent companies' services, and to insure that universal service is adequately supported as competition grows. To this end, we will continue our examination of universal service costs and supports, with the goal of determining appropriate alternative universal support mechanisms, if needed, by early in 1997.¹

2. It is no longer correct that universal service costs can be covered by traditional implicit subsidy flows. The conclusion in the February 7, 1997 Universal Service Order that no alternative universal service mechanisms were necessary is legally flawed in light of Sections

¹ February 7, 1996 Universal Service Order, at p.2.

254(b)(4) and (5), (d) and (f) of the Communications Act of 1934, as amended, 47 U.S.C. §§ Sections 254(b)(4) and (5), (d) and (f) (the “Communications Act”).² Further, the conclusion is, due to developments in the Tennessee telecommunications marketplace, no longer correct.

Changes In The IntraLATA Toll Market In Tennessee

3. The first marketplace development of concern to the Citizens LECs in continuing to carry out their universal service functions in this State is the termination, in the near future, of the implicit subsidy flow from intraLATA toll settlements. For the Citizens LECs this implicit universal service subsidy flow will end on June 30, 1997, at the earliest, and August 8, 1997, at the latest.

4. BellSouth Telecommunications, Inc. (“BellSouth”) has advised all independent local exchange carriers (“ILECs”) in Tennessee that it will terminate its preexisting intraLATA toll settlements agreement by June 30, 1997. It has commenced negotiations with the ILECs over its proposed Primary Carrier Plan (“PCP”) and related Infrastructure Sharing Agreement. The principal difference between the preexisting toll settlement plan and the proposed PCP is that the latter will not continue the historic arrangement whereby BellSouth pays an ILEC amounts for intraLATA toll call originations and terminations that are greater than the ILEC’s tariffed access charges. This differential, part of what is known as the Modified Revenue Distribution Fund (“MRDF”), is embodied in an agreement effective July 1, 1992, and represents, in the view of the Citizens LECs, an implicit subsidy flow to ILECs’ provision of universal service.

² These amendments to the federal Communications Act became effective the day after the February 7, 1996 Universal Service Order.

5. Even if BellSouth contemplated long term continuation of the MRDF and continuation of that arrangement was permissible under the universal service provisions of Section 254 of the Communications Act and T.C.A. §65-5-207,³ the Citizens LECs do not believe that they would continue to be eligible for continued receipt of MRDF funds. The reason for this is that the Citizens LECs will be converting to intraLATA equal access by August 8, 1997;⁴ thereafter, the sole intercarrier “settlements” arrangement that the Citizens LECs can participate in on intraLATA toll traffic is pursuant to their intrastate access services tariff.

6. Notwithstanding BellSouth’s intention to terminate the MRDF arrangements and the legal impediments to continuation of same, the amount of MRDF implicit subsidy flows to ILECs represents critical universal service support. The loss of those dollars could have a devastating impact upon the ability of the Citizens LECs to provide universal service at “affordable” rates. These universal service flow dollars must continue, albeit in a new form that complies with state and federal law.

7. The TRA must, as a first step, institute a proceeding at the earliest opportunity for identification of the amount of dollars represented by the implicit subsidy flow inherent in the MRDF; quantify the impact upon ILEC provision of universal service that would follow from a loss of that implicit subsidy flow; and design an explicit fund, to which all carriers contribute, to replace those dollars.

³ The Citizens LECs do not believe, as a matter of law, that the MRDF can be legally continued.

⁴ See Joint Petition of Citizens Telecommunications Company of Tennessee L.L.C. and Citizens Telecommunications Company of the Volunteer State L.L.C. for Approval of an IntraLATA Toll Dialing Parity Implementation Plan, Docket No. 97-00275.

Changes In Extended Area Service Arrangements

8. In addition to advising the Tennessee ILECs of its intention to cancel the MRDF agreement for intraLATA toll settlements, BellSouth has advised of its intention to cancel the preexisting “bill-and-keep” settlements arrangements⁵ for ILEC-Bell Extended Area Service (“EAS”) agreements. The proposed replacement agreements would have the parties compensate each other, on a usage-sensitive basis, for the reciprocal transport and termination of each other’s local telecommunications traffic traversing the pertinent EAS routes.

9. The Citizens LECs acknowledge that the proposed replacement of the ILEC-Bell EAS bill-and-keep arrangements with usage-sensitive reciprocal transport and termination arrangements is a permissible outcome under Sections 251(b)(5) and 252(d)(2) of the Communications Act. The Citizens LECs reserve their rights to challenge and, if necessary, seek arbitration pursuant to Section 252(b) of the Communications Act over any EAS settlements issue that it cannot negotiate to resolution with BellSouth.

10. The core issue at the heart of the ILEC-Bell EAS settlements issue is that of universal service funding. To the extent that EAS falls within the universal service umbrella, any LEC shortfall in recovery of underlying costs should be borne by an extrinsic funding source support of which is borne by all telecommunications carriers. Both State and Federal law already contemplate such an extrinsic funding source -- universal service funds.

⁵ “[B]ill-and-keep arrangements are those in which neither of the two interconnecting carriers charges the other for the termination of local telecommunications traffic that originates on the other’s network.” Section 51.713(a) of the Rules of the Federal Communications Commission.

11. The Citizens LECs believe that, to the extent that a LEC's provision of universal service, whether wholly within its own exchange areas or within an EAS construct, is priced below cost, the shortfall must be made up from an intrinsic universal service fund. If payment of terminating compensation to another LEC in an EAS arrangement adds incrementally to that shortfall, additional universal service funding is both appropriate and a legal requirement. One alternative, continuation of bill-and-keep arrangements, casts the entire incremental cost burden upon the terminating LEC and is, in all likelihood, in violation of statutory requirements for equitable and nondiscriminatory universal service funding. The second alternative, although economically correct but unpalatable to regulators, is to allow the originating LEC to increase its end user rates and/or allow usage sensitive end user pricing to absorb the incremental costs.

Conclusion

The foregoing developments in BellSouth-ILEC relationships in Tennessee dictate commencement of a universal service proceeding at the earliest possible moment. The TRA must undertake a thoroughgoing, generic universal service proceeding to accomplish what the former Tennessee Public Service Commission postponed -- compliance with T.C.A. § 65-5-207(b).⁶

WHEREFORE, Citizens Telecommunications Company of Tennessee L.L.C. and Citizens Telecommunications Company of the Volunteer State L.L.C. urge the TRA to initiate a

⁶ T.C.A. § 65-5-207(b) requires the TRA to:

determine the cost of providing universal service, determine all current sources of support for universal service and their associated amounts, identify and assess alternative support mechanisms, and determine the need and timetable for modifying current universal service support mechanisms. The Commission shall issue its decision in the universal service proceeding prior to January 1, 1996.

proceeding at the earliest practicable moment to establish alternative universal service support mechanisms.

Respectfully submitted,

CITIZENS TELECOMMUNICATIONS
COMPANY OF TENNESSEE L.L.C.

and

CITIZENS TELECOMMUNICATIONS
COMPANY OF THE VOLUNTEER
STATE L.L.C.

By:

A handwritten signature in black ink, appearing to read "RMT", is written over a horizontal line.

Richard M. Tettelbaum, Associate General
Counsel

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(202) 332-5922

April 21, 1997

FARRIS, MATHEWS, GILMAN, BRANAN & HELLEN, P.L.C.

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July 9, 1997

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OF COUNSEL
HENRY H. HANCOCK

Mr. David Waddell
Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505

Re: Universal Service Generic Contested Case
Docket No. 97-00888

Dear Mr. Waddell:

Enclosed for filing are the original and thirteen copies of the Notice of Participation in Contested Case and Responses to Hearing Officer Request Submitted on Behalf of Time Warner Communications of the Mid-South, L.P.

Copies are being served on counsel for known interested parties.

Very truly yours,

FARRIS, MATHEWS, GILMAN, BRANAN & HELLEN, P.L.C.

By: Charles B. Welch, Jr.
Charles B. Welch, Jr.

CBW,jr:lh

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cc: Val Sanford, Esq.
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Guy Hicks, Esq.
H. Ladon Baltimore, Esq.
Jon Hastings, Esq.
T. G. Pappas, Esq.
Carolyn Tatum Roddy, Esq.
Dana Shaffer, Esq.
Richard M. Tettlebaum, Esq.
Henry Walker, Esq.
L. Vincent Williams, Esq.
James B. Wright, Esq.

BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE

IN RE:]	
]	
UNIVERSAL SERVICE GENERIC]	Docket No. 97-00888
CONTESTED CASE]	

**NOTICE OF PARTICIPATION IN CONTESTED CASE
AND RESPONSES TO HEARING OFFICER REQUEST
SUBMITTED ON BEHALF OF TIME WARNER
COMMUNICATIONS OF THE MID-SOUTH, L.P.**

In response to the Notice of Contested Case and Hearing Officer Request, Time Warner Communications of the Mid-South, L.P. ("Time Warner"), a duly authorized telecommunications service provider in the State of Tennessee, responds as follows:

SPECIFIC REQUESTS

A. Participation

Time Warner hereby formally gives notice to the Tennessee Regulatory Authority ("TRA") of its intent to participate in this proceeding. Presently, Time Warner intends to fully participate in all stages of the proceeding without limitation.

B. Proposals for Organization of Docket

Time Warner suggests that Docket No. 97-00888 on Universal Service and Docket No. 97-00889 on Access Charges should be consolidated and heard as companion cases. It would seem appropriate, however, for the TRA to wait until the Federal Communications Commission ("FCC") has concluded its Universal Service proceeding before it enters a Scheduling Order. The existing mechanisms are adequate to protect the current universal service support system and the interests of consumers in Tennessee since the development of competition in the local exchange

market has been minuscule over the past two years. Since there is no statutory deadline, the TRA should take full advantage of the determinations of the FCC before proceeding. Additionally, the FCC has determined that it will provide 25% of the federal fund and the states will be required to provide the remaining 75%; however, the FCC has not yet determined the size of the fund. Logically, the states cannot determine the need for additional intrastate funding until the size of the federal fund is determined. Only after a determination is made as to whether an intrastate fund is necessary and the size of the fund, will the TRA be capable of considering access charge reform. Since access charges provide subsidy for universal service. The FCC has previously ordered a "market-based" approach to reforming access charges. The FCC concluded that competition will do a better job of determining the true economic cost of providing access services than will regulation. Accordingly, the inter-exchange carriers will not be harmed by delaying the access charges reform proceeding in Tennessee as competition for access services will continue to develop. In the meantime, the TRA should work to identify and refine the issues to be considered.

After consideration of the issues submitted by the parties, the TRA should adopt a list of specific issues to be resolved. After defining the issues, liberal discovery should be permitted. Upon the completion of discovery, the TRA should maximize the benefit of pre-hearing briefs and pre-hearing Orders to narrow the issues and clearly identify the positions of the parties. To the extent possible, the parties should be grouped according to their positions and encouraged to file joint briefs, motions and proposed orders.

C. Issues To Be Considered

Although certainly not exhaustive, Time Warner submits its list of key issues which are relevant and should be considered in this docket:

1. What is the definition of Universal Service?
2. What is the meaning of the Universal Service "affordability" requirement?
3. What is the appropriate size of the Universal Service Fund after consideration of the following factors:
 - Cost Methodology;
 - Use of a revenue bench mark versus average costs;
 - Competitive bidding process; and
 - Use of an income threshold.
4. How should contributions to the Universal Service Fund be calculated?
5. Which carriers should be eligible to receive support from the Universal Service Fund?
6. How should carriers be permitted to recover the cost of Universal Service Fund contributions?
7. How should the TRA transition from the current support system to the new system?

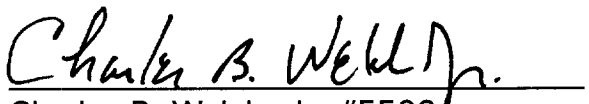
D. Relevant Federal Law, FCC Orders and State Law

The law applicable to the issues in this proceeding is found at T.C.A. §65-5-207, 47 U.S.C. §254, and the Federal Communications Commission Order issued on May 7, 1997. In the Matter of Federal-State Joint Board on Universal Service, C.C. Docket No. 96-45. In making the determinations in this proceeding, the TRA must reconcile the federal and state mandates and provide for the implementation of a system consistent with both. Although the primary issues to be considered may be

simply stated, the underlying considerations are complex and numerous. Time Warner suggests that even a summary of these provisions as they might be applicable to a determination of the issues in this proceeding would be extremely voluminous and inconsistent with the purpose of this initial response to the hearing officer's request. Time Warner respectfully, therefore, reserves its right to make comment on the applicable law during the course of this proceeding or, in the alternative, requests an extension of time to file such summaries.

Respectfully submitted,

FARRIS, MATHEWS, GILMAN, BRANAN & HELLEN, P.L.C.

By: 
Charles B. Welch, Jr. #5593
511 Union Street, Suite 2400
Nashville, Tennessee 37219
Ph: (615) 726-1200

ATTORNEYS FOR TIME WARNER
COMMUNICATIONS OF THE MID-SOUTH, L.P.

CERTIFICATE OF SERVICE

The parties to this proceeding have not yet been identified. As a courtesy, the **Notice of Participation in Contested Case and Responses to Hearing Officer Request Submitted on Behalf of Time Warner Communications of the Mid-South, L.P.** has been delivered by U. S. Mail to counsel for anticipated participants as follows:

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Twin Lakes
TELEPHONE COOPERATIVE CORPORATION

P.O. BOX 67
TELEPHONE 615-268-2151

Gainesboro, Tennessee 38502

RECEIVED
JUL 3 1997
FRANK B. HALSELL, PRESIDENT
DOUGLAS G. ELDER, VICE PRESIDENT
JAMES R. MONTGOMERY, SECRETARY
ROBERT D. DUDNEY, MANAGER

EXECUTIVE SECRETARY

July 2, 1997

**Mr. K. David Waddell, Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243-0505**

Dear Mr. Waddell:

Enclosed are Notice of Intent to Participate on the following:

- 1. Universal Service Generic Contested Case
Docket No. 97-00888**
- 2. Petition of AT&T Communications of the
South Central States, Inc. for the Convening
of a Generic Contested Case for the Purpose
Of Access Charge Reform
Docket No. 97-00889**

Very truly yours,

**TWIN LAKES TELEPHONE COOPERATIVE
CORPORATION**

**Robert D. Dudney,
General Manager**

RDD/bey

Enclosures (2)

**BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE**

In Re:)	
)	
Universal Service Generic)	Docket No.
Contested Case)	97-00888

NOTICE OF INTENT TO PARTICIPATE

Comes Twin Lakes Telephone Cooperative Corporation, a nonprofit corporation organized and existing under the laws of the state of Tennessee, Tennessee Code Annotated Title 65, Chapter 29, Section 101, et seq., appearing specially, and without waiving any of its statutory exemptions to the jurisdiction of the Tennessee Regulatory Authority does hereby give affirmative notice to the Tennessee Regulatory Authority that:

1. Twin Lakes Telephone Cooperative Corporation has received Notice of Contested Case and Hearing Officer Request from TRA dated June 13, 1997.

2. Twin Lakes Telephone Cooperative Corporation is a provider of telecommunications services as defined in the Federal Telecommunications Act of 1996 and that under 254(b)(4) of the Telco Act will be required to make a contribution to the preservation and advancement of universal service.

3. Twin Lakes Telephone Cooperative Corporation plans, with other telephone cooperatives, to participate in the proceedings on such matters as are germane to contribution to the universal service fund, distribution of the universal service fund, contribution formulas, rules to be established for the distribution of universal service funds. Such other related issues that the Cooperative is of the opinion affects the welfare of its

members, either service connected or financial involvement.

4. Twin Lakes Telephone Cooperative Corporation requests that it be allowed to submit, either separately or jointly with other telephone cooperatives, to the Tennessee Regulatory Authority by separate document or documents Proposal for Organization of Docket and Issues to be Considered and if germane to the issues involved what the Cooperative anticipates the controlling law will be in this docket relating to telephone cooperatives.

This notice respectfully submitted on this the 02 day of July, 1997.

Twin Lakes Telephone Cooperative Corporation

By 

**Robert D. Dudney, Manager
P.O. Box 67
Gainesboro, TN 38562-0067
Telephone 615/268-2151
Fax 615/268-3222 or 2734**